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1 RESOLUTION NO. C-28468

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH AUTHORIZING THE ISSUANCE
5 AND SALE OF CITY OF LONG BEACH, CALIFORNIA
6 SUBORDINATE AIRPORT REVENUE COMMERCIAL
7 PAPER NOTES, SERIES A (NON-AMT), SERIES B (AMT)
8 AND SERIES C (TAXABLE) FROM TIME TO TIME IN AN
9 AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
10 \$15,000,000; APPROVING A MASTER SUBORDINATE
11 TRUST INDENTURE; A FIRST SUPPLEMENTAL
12 SUBORDINATE TRUST INDENTURE, AN ISSUING AND
13 PAYING AGENT AGREEMENT, A REIMBURSEMENT
14 AGREEMENT, A BANK NOTE, A COMMERCIAL PAPER
15 DEALER AGREEMENT, AN OFFERING MEMORANDUM
16 AND RELATED DOCUMENTS, AUTHORIZING AND
17 DIRECTING EXECUTION THEREOF AND AUTHORIZING
18 ACTIONS RELATED THERETO

19
20 WHEREAS, the City of Long Beach (the "City") is a city organized and
21 existing under a charter duly and regularly adopted pursuant to the provisions of the
22 Constitution of the State of California; and

23 WHEREAS, the City owns and operates the Long Beach Airport (the
24 "Airport"); and

25 WHEREAS, pursuant to Section 1725(a) of Article XVII of said charter,
26 the City is authorized to issue short-term revenue certificates for purposes of the City;
27 and

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1 WHEREAS, pursuant to Section 1725(b) of Article XVII of said charter,
2 the City is authorized to arrange for bank credit as additional security for short-term
3 revenue certificates issued pursuant to said Section and in connection therewith
4 execute and deliver promissory notes to evidence advances made under such bank
5 credit facilities; and

6 WHEREAS, the City has previously entered into that certain Installment
7 Purchase Contract, dated as of July 1, 1993, (the "Senior Lien Contract"), by and
8 between the City and the Long Beach Capital Improvement Corporation (the
9 "Corporation"), for the purpose of refinancing the purchase of certain improvements to
10 the facilities of the Airport; and

11 WHEREAS, pursuant to the Senior Lien Contract the City is obligated to
12 make installment payments (the "1993 Installment Payments") to the Corporation, which
13 are secured by a first lien on and pledge of Net Revenues (as defined in the Senior Lien
14 Contract); and

15 WHEREAS, pursuant to that certain Trust Agreement, dated as of July 1,
16 1993 (the "Senior Lien Trust Agreement"), by and between the Corporation and the
17 City, certificates of participation (the "1993 Certificates") were executed and delivered,
18 evidencing and representing proportionate, undivided interests of the owners thereof in
19 the 1993 Installment Payments to be made by the City pursuant to the Senior Lien
20 Contract; and

21 WHEREAS, the Senior Lien Contract pledges and grants a senior lien on
22 Net Revenues to the 1993 Installment Payments and any other Contracts (as defined in
23 the Senior Lien Contract) entered into by the City pursuant to which the related
24 Installment Payments (as defined in the Senior Lien Contract) have been granted a lien
25 on Net Revenues on parity with the 1993 Installment Payments; and

26 WHEREAS, the City Council has determined that it is in the best interest
27 of the City to issue obligations with a subordinate pledge and lien on Net Revenues;
28 and

1 WHEREAS, public interest and necessity require the City to authorize the
2 creation of an issue of short-term revenue certificates, which revenue certificates shall
3 be secured by and payable from Net Revenues on a subordinate basis to the pledge of
4 Net Revenues granted to the 1993 Installment Payments and any other Contracts
5 entered into by the City pursuant to which the related Installment Payments have been
6 granted a lien on Net Revenues on parity with the 1993 Installment Payments; and

7 WHEREAS, the City Council has determined that it is in the best interests
8 of the City to issue the short-term revenue certificates through the implementation of a
9 commercial paper program through the issuance of Subordinate Airport Revenue
10 Commercial Paper Notes, Series A (Non-AMT), Series B (AMT) and Series C (Taxable)
11 (the "Commercial Paper Notes") in an aggregate principal amount of not to exceed
12 \$15,000,000 at any one time outstanding to finance and refinance ongoing capital
13 maintenance and rehabilitation to the Enterprise (as defined in the hereinafter defined
14 Master Subordinate Trust Indenture); and

15 WHEREAS, the Commercial Paper Notes will be issued in multiple series
16 in order that the interest paid on the Series A Notes and the Series B Notes will be
17 excluded from the gross income of the recipients thereof under the various provisions of
18 the Internal Revenue Code of 1986, as amended, and the regulations promulgated
19 thereunder or related thereto (collectively, the "Code"); and

20 WHEREAS, as part of such commercial paper program, the City Council
21 has determined that it is appropriate and to the benefit of the City to provide credit
22 enhancement in the form of an irrevocable direct-pay letter of credit (the "Letter of
23 Credit" to be issued initially by Bank One, NA (together with any other bank substituted
24 or added as a party to the Letter of Credit, the "Bank") pursuant to a Reimbursement
25 Agreement (the "Reimbursement Agreement") between the City and the Bank; and

26 WHEREAS, the commercial paper program, as herein authorized shall
27 include the issuance from time to time of the Commercial Paper Notes in maturities not
28 to exceed 270 days and incurrence of obligations to reimburse the Bank and to pay

1 interest on the unreimbursed amounts, and to make other payments to the Bank (the
2 "Payment Obligations"); and

3 WHEREAS, the City Council deems it to be in the best interests of the
4 City to amend and restate certain provisions of the Senior Lien Contract to cure an
5 ambiguity therein by clarifying the status and timing for payment of Subordinate
6 Obligations (as defined in the Master Subordinate Trust Indenture) from the Revenues
7 (as defined in the Senior Lien Contract) by approving a First Supplement to Installment
8 Purchase Contract; and

9 WHEREAS, there have been presented to the City Council the following
10 documents:

11 (a) form of the Master Subordinate Trust Indenture (the "Master
12 Subordinate Trust Indenture") by and between the City and BNY Western Trust
13 Company, as trustee (the "Trustee");

14 (b) a form of the First Supplemental Subordinate Trust
15 Indenture (the "First Supplemental Subordinate Indenture") by and between the
16 City and the Trustee;

17 (c) a form of the Issuing and Paying Agent Agreement (the
18 "Issuing and Paying Agent Agreement") by and between the City and BNY
19 Western Trust Company, as issuing and paying agent (the "Issuing and Paying
20 Agent");

21 (d) a form of the Reimbursement Agreement including therein a
22 description of the obligations of the City constituting the Payment Obligations;

23 (e) a form of the Bank Note (the "Bank Note") to be issued by
24 the City in order to evidence the Payment Obligations;

25 (f) a form of the Commercial Paper Dealer Agreement (the
26 "Dealer Agreement") between the City and Lehman Brothers Inc., as dealer (the
27 "Dealer");

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1 (g) a form of the Offering Memorandum (the "Offering
2 Memorandum") relating to the offering and issuance of the Commercial Paper
3 Notes; and

4 (h) a form of the First Supplement to Installment Purchase
5 Contract (the "First Supplement to Installment Purchase Contract") between the
6 City and the Long Beach Capital Improvement Corporation; and

7 WHEREAS, said documents will be modified and amended to reflect the
8 various details applicable to the different series of Commercial Paper Notes and said
9 documents are subject to completion to reflect the results of the individual sales of the
10 various series; and

11 WHEREAS, the City held a public hearing on October 19, 2004 in
12 accordance with Section 147(f) of the Code (the "Public Hearing"), concerning the
13 issuance from time to time of the Commercial Paper Notes in an aggregate principal
14 amount not to exceed \$15,000,000 and the funding of certain ongoing capital
15 maintenance and rehabilitation projects to be located at the Airport; and

16 WHEREAS, the City Council is the applicable elected representative for
17 purposes of Section 147(f) the Code;

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

20 Section 1. That the above recitals are true and correct and are
21 incorporated herein by reference.

22 Sec. 2. Issuance of Commercial Paper Notes; Terms of Commercial
23 Paper Notes. For the purposes set forth in the foregoing recitals, including, but not
24 limited, to the approval required by Section 147(f) of the Code, the City Council hereby
25 authorizes the issuance, from time to time, of the Commercial Paper Notes, the
26 issuance of the Bank Note and the incurrence of Payment Obligations due to the Bank
27 under the Reimbursement Agreement and the First Supplemental Subordinate
28 Indenture provided that the aggregate principal amount of the Commercial Paper Notes

1 and the aggregate principal amount of the Payment Obligations outstanding at any time
2 shall not exceed \$15,000,000. The Commercial Paper Notes shall have maturities not
3 exceeding 270 days and each Commercial Paper Note shall bear interest payable upon
4 maturity at the rate set forth in the Instructions (as described and defined in the First
5 Supplemental Subordinate Indenture and the Dealer Agreement) for such Commercial
6 Paper Note which shall be a rate consistent with market conditions at the time of
7 issuance of such Commercial Paper Note. Notwithstanding anything to the contrary in
8 the previous sentence or the provisions of this Resolution, the Commercial Paper Notes
9 shall not bear interest in excess of the lesser of (a) twelve percent (12%) per annum
10 and (b) the maximum rate of interest permitted by applicable law. Except as provided in
11 the following sentence, the Commercial Paper Notes (i) shall bear interest payable at
12 maturity at an annual rate (calculated on the basis of a year consisting of 365/366 days
13 and actual number of days elapsed), (ii) shall mature and become due and payable on
14 such dates as the Dealer shall determine at the time of sale but in any event not more
15 than 270 days after their respective dates or later than the Termination Date (as defined
16 in the First Supplemental Subordinate Indenture), (iii) shall be sold at a price of not less
17 than 100% of the principal amount thereof and (iv) shall mature on a Business Day (as
18 defined in the First Supplemental Subordinate Indenture). The Series C Notes may be
19 issued and sold at a price less than the principal amount thereof, as determined by the
20 Dealer and approved by a Designated Representative (as described herein) at the time
21 any Series C Notes are issued, and interest, if any, payable on Series C Notes shall
22 accrue from their respective dates, and be payable at maturity, and shall be calculated
23 on the basis of a 360-day year and actual number of days elapsed. The Commercial
24 Paper Notes shall be available in minimum denominations of \$100,000 and integral
25 multiples of \$1,000 in excess thereof and shall be dated the date of issuance. The
26 Commercial Paper Notes shall not be subject to redemption prior to their respective
27 maturities. The Commercial Paper Notes shall be payable, both with respect to interest
28 and principal as provided for in the First Supplemental Subordinate Indenture. The

1 Commercial Paper Notes may be issued so that the interest thereon is excluded from
2 gross income for federal income tax purposes or not excluded or part excluded and part
3 not excluded in such combination as is acceptable to the Designated Representative
4 authorizing the same. The Commercial Paper Notes shall be in fully registered form
5 and may be issued in book-entry form as provided in the First Supplemental
6 Subordinate Indenture.

7 Sec. 3. The commercial paper program shall expire on November 1,
8 2020 unless such date has been extended by a subsequent resolution of the City
9 Council.

10 Sec. 4. A portion of the proceeds of each new issue of Commercial
11 Paper Notes may, in accordance with the terms of the First Supplemental Subordinate
12 Indenture, be used to make a deposit to pay interest on the Commercial Paper Notes.

13 Sec. 5. The terms of the Commercial Paper Notes shall, consistent
14 with this Resolution, be set forth in: (a) a Notice of Issuance of Commercial Paper
15 Notes (as described and defined in the First Supplemental Subordinate Indenture)
16 delivered to the Dealer by a Designated Representative, which Designated
17 Representative is designated by Section 15 of this Resolution, (b) a Note Designation
18 Certificate (as described and defined in the First Supplemental Subordinate Indenture
19 and the Dealer Agreement) delivered to the Dealer by a Designated Representative,
20 and (c) Instructions delivered to the Issuing and Paying Agent by the Dealer.

21 Sec. 6. The City shall be obligated to reimburse the Bank for all
22 amounts drawn under the Letter of Credit and to pay interest on the amounts drawn
23 under the Letter of Credit until such amounts are reimbursed all in accordance with the
24 terms of the Reimbursement Agreement, and the City Council authorizes the incurrence
25 of the Payment Obligations being the obligation to repay advances, to pay interest
26 thereon, and any other amounts owed to the Bank under the Reimbursement
27 Agreement. The principal amount of each Payment Obligation shall bear interest at
28 such rates as set forth in the Reimbursement Agreement, the Letter of Credit and the

1 Bank Note. The Payment Obligations shall be subject to prepayment at any time in
2 accordance with the terms of the Reimbursement Agreement.

3 Sec 7. Pledge to Secure the Commercial Paper Notes and the
4 Payment Obligations. The City Council hereby approves the pledge to secure the
5 Commercial Paper Notes and the Payment Obligations as set forth in the Master
6 Subordinate Trust Indenture, the First Supplemental Subordinate Indenture and the
7 Reimbursement Agreement.

8 Sec. 8. Special Obligations. The Commercial Paper Notes and the
9 Payment Obligations shall be special obligations of the City, secured by, and payable
10 from, Subordinate Net Revenues and from the funds and accounts held by the Trustee
11 and the Issuing and Paying Agent under the Master Subordinate Trust Indenture, the
12 First Supplemental Subordinate Indenture and the Issuing and Paying Agent
13 Agreement, as and to the extent therein described and from advances made to pay
14 principal and interest on the Commercial Paper Notes pursuant to the Letter of Credit.
15 The Commercial Paper Notes and the Payment Obligations shall also be secured by
16 and be paid from such other sources as the City may hereafter provide that are
17 available in the Enterprise Fund (as defined in the Master Subordinate Trust Indenture),
18 including, but not limited to, proceeds of additional borrowings for such purpose and
19 any applicable state or federal grants received by the City. The Commercial Paper
20 Notes are not to be and shall not be secured by the taxing power of the City.

21 Sec. 9. Forms of Commercial Paper Notes. The Commercial Paper
22 Notes and the Issuing and Paying Agent's Certificate of Authentication to appear
23 thereon shall be in substantially the form set forth in Exhibits A-1, A-2 and F to the First
24 Supplemental Subordinate Indenture with necessary or appropriate variations,
25 omissions and insertions as permitted or required by the Master Subordinate Trust
26 Indenture or the First Supplemental Subordinate Indenture or as appropriate to
27 adequately reflect the terms of each series of the Commercial Paper Notes and the
28 obligation represented thereby.

1 Sec. 10. Execution of the Commercial Paper Notes. Each of the
2 Commercial Paper Notes shall be executed on behalf of the City by the City Manager,
3 the CFO/Director of Financial Management, the City Treasurer or any other Authorized
4 City Representative (as defined in the Master Subordinate Trust Indenture) designated
5 by the City Manager (each a "Designated Officer") and attested by the City Clerk. Any
6 such signatures may be by manual or facsimile signature and the seal may be
7 impressed or printed on the Commercial Paper Notes. Additionally, each of the
8 Commercial Paper Notes shall be authenticated by the signature of the Issuing and
9 Paying Agent or an agent of the Issuing and Paying Agent as required and permitted by
10 the Master Subordinate Trust Indenture. Any facsimile signature of such Designated
11 Officer of the City shall be of the same force and effect as if such signature were
12 manually placed on such Commercial Paper Notes.

13 Sec. 11. Approval of Master Subordinate Trust Indenture. The
14 Master Subordinate Trust Indenture, in the form on file with the City Clerk, is hereby
15 approved. The Designated Officers, each acting alone, are hereby authorized,
16 empowered and directed to execute, acknowledge and deliver the Master Subordinate
17 Trust Indenture, including counterparts thereof, in the name and on behalf of the City.
18 The Master Subordinate Trust Indenture, as executed and delivered, shall be in
19 substantially the form now before this meeting and hereby approved, or with such
20 changes therein as shall be approved by the officer or officers executing such Master
21 Subordinate Trust Indenture, such execution to be conclusive evidence of the City
22 Council's approval of any and all changes or revisions therein from the form of the
23 Master Subordinate Trust Indenture now before this meeting; and the City Clerk is
24 hereby authorized and directed to attest and to affix the seal of the City thereto. The
25 City Council hereby authorizes the delivery and performance of the Master Subordinate
26 Trust Indenture and from and after the execution and delivery of the Master
27 Subordinate Trust Indenture, the officers, agents and employees of the City are hereby
28 authorized, empowered and directed to do all such acts and things and to execute all

1 such documents as may be necessary to carry out and comply with the provisions of
2 the Master Subordinate Trust Indenture.

3 Sec. 12. Approval of First Supplemental Subordinate Indenture. The
4 First Supplemental Subordinate Indenture, in the form on file with the City Clerk, is
5 hereby approved. The Designated Officers, each acting alone, are hereby authorized,
6 empowered and directed to execute, acknowledge and deliver the First Supplemental
7 Subordinate Indenture, including counterparts thereof, in the name and on behalf of the
8 City. The First Supplemental Subordinate Indenture, as executed and delivered, shall
9 be in substantially the form now before this meeting and hereby approved, or with such
10 changes therein as shall be approved by the officer or officers executing such First
11 Supplemental Subordinate Indenture, such execution to be conclusive evidence of the
12 City Council's approval of any and all changes or revisions therein from the form of the
13 First Supplemental Subordinate Indenture now before this meeting; and the City Clerk
14 is hereby authorized and directed to attest and to affix the seal of the City thereto. The
15 City Council hereby authorizes the delivery and performance of the First Supplemental
16 Subordinate Indenture and from and after the execution and delivery of the First
17 Supplemental Subordinate Indenture, the officers, agents and employees of the City
18 are hereby authorized, empowered and directed to do all such acts and things and to
19 execute all such documents as may be necessary to carry out and comply with the
20 provisions of the First Supplemental Subordinate Indenture.

21 Sec. 13. Approval of Issuing and Paying Agent Agreement. The
22 Issuing and Paying Agent Agreement, in the form on file with the City Clerk, is hereby
23 approved. The Designated Officers, each acting alone, are hereby authorized,
24 empowered and directed to execute, acknowledge and deliver the Issuing and Paying
25 Agent Agreement, including counterparts thereof, in the name and on behalf of the City.
26 The Issuing and Paying Agent Agreement, as executed and delivered, shall be in
27 substantially the form now before this meeting and hereby approved, or with such
28 changes therein as shall be approved by the officer or officers executing such Issuing

1 and Paying Agent Agreement, such execution to be conclusive evidence of the City
2 Council's approval of any and all changes or revisions therein from the form of the
3 Issuing and Paying Agent Agreement now before this meeting; and the City Clerk is
4 hereby authorized and directed to attest and to affix the seal of the City thereto. The
5 City Council hereby authorizes the delivery and performance of the Issuing and Paying
6 Agent Agreement and from and after the execution and delivery of the Issuing and
7 Paying Agent Agreement, the officers, agents and employees of the City are hereby
8 authorized, empowered and directed to do all such acts and things and to execute all
9 such documents as may be necessary to carry out and comply with the provisions of
10 the Issuing and Paying Agent Agreement.

11 Sec. 14. Approval of Reimbursement Agreement and Bank Note.

12 The Reimbursement Agreement and the Bank Note, in the forms on file with the City
13 Clerk, are hereby approved. The Designated Officers, each acting alone, are hereby
14 authorized, empowered and directed to execute, acknowledge and deliver the
15 Reimbursement Agreement and the Bank Note, including counterparts thereof, in the
16 name and on behalf of the City. The Reimbursement Agreement and the Bank Note,
17 as executed and delivered, shall be in substantially the forms now before this meeting
18 and hereby approved, or with such changes therein as shall be approved by the officer
19 or officers executing such Reimbursement Agreement and the Bank Note, such
20 execution to be conclusive evidence of the City Council's approval of any and all
21 changes or revisions therein from the form of the Reimbursement Agreement and the
22 Bank Note now before this meeting; and the City Clerk is hereby authorized and
23 directed to attest and to affix the seal of the City thereto. The City Council hereby
24 authorizes the delivery and performance of the Reimbursement Agreement and the
25 Bank Note and from and after the execution and delivery of the Reimbursement
26 Agreement and the Bank Note, the officers, agents and employees of the City are
27 hereby authorized, empowered and directed to do all such acts and things and to
28 execute all such documents as may be necessary to carry out and comply with the

1 provisions of the Reimbursement Agreement and the Bank Note. The City Council
2 hereby designates any obligation to the Bank under the Reimbursement Agreement
3 and the Bank Note as a Subordinate Obligation under the Master Subordinate Trust
4 Indenture.

5 Sec. 15. Approval of Dealer Agreement. The Dealer Agreement, in
6 the form on file with the City Clerk, is hereby approved. The Designated Officers, each
7 acting alone, are hereby authorized, empowered and directed to execute, acknowledge
8 and deliver the Dealer Agreement, including counterparts thereof, in the name and on
9 behalf of the City. The Dealer Agreement, as executed and delivered, shall be in
10 substantially the form now before this meeting and hereby approved, or with such
11 changes therein as shall be approved by the officer or officers executing such Dealer
12 Agreement, such execution to be conclusive evidence of the City Council's approval of
13 any and all changes or revisions therein from the form of the Dealer Agreement now
14 before this meeting; and the City Clerk is hereby authorized and directed to attest and
15 to affix the seal of the City thereto. The City Council hereby authorizes the delivery and
16 performance of the Dealer Agreement and from and after the execution and delivery of
17 the Dealer Agreement, the officers, agents and employees of the City are hereby
18 authorized, empowered and directed to do all such acts and things and to execute all
19 such documents as may be necessary to carry out and comply with the provisions of
20 the Dealer Agreement.

21 Sec. 16. Approval of Offering Memorandum. The Offering
22 Memorandum, prepared by the City, is hereby approved in substantially the form
23 presented to and considered at this meeting (a form of which is on file with the City
24 Clerk), with such changes, additions or deletions which are approved by the Designated
25 Officers. Each Offering Memorandum so distributed shall first be approved by a
26 Designated Officer pursuant to the terms of the Dealer Agreement. The Dealer is
27 hereby authorized to distribute the Offering Memorandum in final form to market the
28 Commercial Paper Notes from time to time, and is hereby authorized to distribute

1 copies of the Enterprise Fund's most recent annual audited financial statements and
2 such other financial statements of the Enterprise Fund as the City Manager, the
3 CFO/Director of Financial Management, the City Treasurer shall approve. The City
4 Council further hereby authorizes, from time to time, the preparation, execution and
5 delivery of one or more additional or supplemental offering memorandum in accordance
6 with the terms of the hereinabove approved Dealer Agreement, the delivery of any such
7 document by the City Manager, the CFO/Director of Financial Management, the City
8 Treasurer to be conclusive evidence of the City Council's approval of such
9 supplements, additions, deletions and changes.

10 Sec. 17. Approval of Dealer. The City Council hereby appoints
11 Lehman Brothers Inc., as dealer for the Commercial Paper Notes under the First
12 Supplemental Subordinate Indenture. Such appointment shall be effective upon
13 adoption of this Resolution and shall remain in effect until the City Council shall, by
14 supplemental agreement or by resolution, name a substitute(s) or successor(s) thereto.
15 Execution and delivery of the Instruction by the Dealer pursuant to the Dealer
16 Agreement containing the purchaser, the series designation, the program designation,
17 the subseries designation, the principal amount, the purchase price, the date of
18 issuance, the maturity date, the interest rate, and the price or yield for each Commercial
19 Paper Note to be issued at such time, within the parameters set forth in this Resolution,
20 the First Supplemental Subordinate Indenture and the Dealer Agreement, shall
21 constitute conclusive evidence of the City Council's approval of such purchaser, series
22 designation, program designation, subseries designation, principal amount, purchase
23 price, date of issuance, maturity date, interest rate, and price or yield for such issue of
24 Commercial Paper Notes.

25 Sec. 18. Approval of Trustee, Issuing and Paying Agent and
26 Registrar. The City Council hereby appoints BNY Western Trust Company, as trustee,
27 issuing and paying agent and registrar under the Master Subordinate Trust Indenture,
28 the First Supplemental Subordinate Indenture and the Issuing and Paying Agent

1 Agreement. Such appointments shall be effective upon the issuance of the
2 Commercial Paper Notes and shall remain in effect until the City Council shall, by
3 supplemental agreement or by resolution, name a substitute or successor thereto.

4 Sec. 19. Designated Representatives. The City Council hereby
5 appoints the City Manager, the CFO/Director of Financial Management, the City
6 Treasurer, and any other persons designated by the City Manager to serve as
7 Designated Representatives of the City under the terms of this Resolution and the First
8 Supplemental Subordinate Indenture. The Designated Representatives are, and each
9 of them is, hereby authorized and are hereby directed to perform those duties set forth
10 in the Master Subordinate Trust Indenture, the First Supplemental Subordinate
11 Indenture, the Issuing and Paying Agent Agreement, the Reimbursement Agreement,
12 the Bank Note and the Dealer Agreement (collectively, the "Documents") including,
13 without limitation, the execution of Note Designation Certificates and Notices of
14 Issuance of Commercial Paper Notes. The Designated Representatives are, and each
15 of them is, also authorized to make representations, certifications and warranties
16 concerning the Commercial Paper Notes and in connection with the issuance of
17 Commercial Paper Notes as and when required in the Documents and the certifications
18 and agreements relating to the federal tax exemption with regards to the Series A Notes
19 and the Series B Notes.

20 Sec. 20. Additional Authorization. The City Manager, the
21 CFO/Director of Financial Management, the City Treasurer, and all officers, agents and
22 employees of the City, for and on behalf of the City, be and they hereby are authorized
23 and directed to do any and all things necessary to effect the execution and delivery of
24 the Commercial Paper Notes, the Documents, and the Offering Memorandum and to
25 carry out the terms thereof. The City Manager, the CFO/Director of Financial
26 Management, the City Treasurer and all other officers, agents and other employees of
27 the City are further authorized and directed, for and on behalf of the City, to execute all
28 papers, documents, certificates and other instruments that may be required in order to

1 carry out the authority conferred by this Resolution, the Master Subordinate Trust
2 Indenture and the First Supplemental Subordinate Indenture or to evidence the same
3 authority and its exercise. The foregoing authorization includes, but is in no way limited
4 to, authorizing City staff to pay costs of issuance of the Commercial Paper Notes, fees
5 and costs of the Bank, and the Dealer's fees; authorizing the City Treasurer to direct
6 the investment of the proceeds of the Commercial Paper Notes in one or more of the
7 permitted investments provided for under the Master Subordinate Trust Indenture, and
8 authorizing the execution by the City Manager, the CFO/Director of Financial
9 Management, the City Treasurer, any one of them, of a tax compliance certificate as
10 required by the First Supplemental Subordinate Indenture for the purpose of complying
11 with the rebate requirements of the Code, and any documents required by The
12 Depository Trust Company in connection with the issuance of the Commercial Paper
13 Notes in book-entry form.

14 Sec. 21. Costs of Issuance. The City Council authorizes funds of the
15 Enterprise Fund, together with the proceeds of the Commercial Paper Notes, to be
16 used to pay costs of issuance of the Commercial Paper Notes, including, but not limited
17 to, costs and expenses of attorneys, accountants, financial advisors, the costs
18 associated with rating agencies, costs and expenses of the Bank, printing publication
19 and mailing expenses; and any related filing fees thereof.

20 Sec. 22. Approval of First Supplement to Installment Purchase
21 Contract. The First Supplement to Installment Purchase Contract, in the form on file
22 with the City Clerk, is hereby approved. The Designated Officers, each acting alone,
23 are hereby authorized, empowered and directed to execute, acknowledge and deliver
24 the First Supplement to Installment Purchase Contract, including counterparts thereof,
25 in the name and on behalf of the City. The First Supplement to Installment Purchase
26 Contract, as executed and delivered, shall be in substantially the form now before this
27 meeting and hereby approved, or with such changes therein as shall be approved by
28 the officer or officers executing such First Supplement to Installment Purchase

1 Contract, such execution to be conclusive evidence of the City Council's approval of
2 any and all changes or revisions therein from the form of the First Supplement to
3 Installment Purchase Contract now before this meeting; and the City Clerk is hereby
4 authorized and directed to attest and to affix the seal of the City thereto. The City
5 Council hereby authorizes the delivery and performance of the First Supplement to
6 Installment Purchase Contract and from and after the execution and delivery of the First
7 Supplement to Installment Purchase Contract, the officers, agents and employees of
8 the City are hereby authorized, empowered and directed to do all such acts and things
9 and to execute all such documents as may be necessary to carry out and comply with
10 the provisions of the First Supplement to Installment Purchase Contract.

11 Sec. 23. Severability of Invalid Provisions. If any one or more of the
12 provisions contained in this Resolution shall for any reason be held to be invalid, illegal
13 or unenforceable in any respect, then such provision or provisions shall be deemed
14 severable from the remaining provisions contained in this Resolution and such
15 invalidity, illegality or unenforceability shall not affect any other provision of this
16 Resolution, and this Resolution shall be construed as if such invalid or illegal or
17 unenforceable provision had never been contained herein. The City Council hereby
18 declares that it would have adopted this Resolution and each and every Section,
19 paragraph, sentence, clause or phrase hereof and authorized the issuance of the
20 Commercial Paper Notes pursuant thereto irrespective of the fact that any one or more
21 Sections, paragraphs, sentences, clauses or phrases of this Resolution may be held
22 illegal, invalid or unenforceable.

23 Sec. 24. Section Headings and References; Interpretation. The
24 headings or titles of the several Sections hereof, and any table of contents appended to
25 copies hereof, shall be solely for convenience of reference and shall not affect the
26 meaning, construction or effect of this Resolution. All references herein to "Sections"
27 and other subdivisions are to the corresponding Sections or subdivisions of this
28 Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of

MASTER SUBORDINATE TRUST INDENTURE

by and between

CITY OF LONG BEACH

and

BNY WESTERN TRUST COMPANY,
as Trustee

(Airport Enterprise Fund)

Dated as of November 1, 2004

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MASTER SUBORDINATE TRUST INDENTURE

THIS MASTER SUBORDINATE TRUST INDENTURE (this “Indenture”), dated as of November 1, 2004, is made by and between **CITY OF LONG BEACH**, a charter city and municipal corporation organized and existing under the Constitution of the State of California (the “City”), and **BNY WESTERN TRUST COMPANY**, as trustee (the “Trustee”).

RECITALS

WHEREAS, the City is a city organized and existing under a charter (the “Charter”) duly and regularly adopted pursuant to the provisions of the Constitution of the State of California (the “State”); and

WHEREAS, the City owns and operates the Enterprise (as hereinafter defined); 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 and to execute all documents in furtherance of the issuance of such revenue bonds; and

WHEREAS, the City has previously entered into that certain Installment Purchase Contract, dated as of July 1, 1993, as amended (the “Senior Lien Contract”), by and between the City and the Long Beach Capital Improvement Corporation (the “Corporation”), and pursuant to such Senior Lien Contract has granted to the Corporation a first lien on and pledge of the “Net Revenues” which are defined in the Senior Lien Contract, plus any additional sources of revenue which may be pledged from time to time under the Senior Lien Contract; and

WHEREAS, under the terms of the Senior Lien Contract, the City may create a charge or lien on the Net Revenues ranking junior and subordinate to the charge or lien of the obligations issued pursuant to the Senior Lien Contract; and

WHEREAS, the City has determined that it is necessary and advisable to issue Subordinate Obligations (as hereinafter defined), to provide for a trust arrangement pledging the Subordinate Net Revenues, as defined herein, to secure all obligations issued or incurred in accordance with the terms of this Indenture and providing such Subordinate Net Revenues as a source of payment for all obligations issued or incurred in accordance with the terms of this Indenture; and

WHEREAS, the City hereby declares and provides that, with respect to Net Revenues, the pledge and lien provided in this Indenture are subordinate to the lien created by the Senior Lien Contract and obligations issued hereunder will be subordinate to obligations to be issued under the Senior Lien Contract with respect to payment from Net Revenues and shall be payable from Net Revenues only when and to the extent Net Revenues are released under the Senior Lien Contract in accordance with its terms; and

WHEREAS, all obligations issued or incurred in accordance with the terms of Article II of this Indenture and secured hereunder by a pledge of the Subordinate Net Revenues are herein referred to as "Subordinate Obligations;" and

WHEREAS, the City wishes to provide in this Indenture for the issuance and payment of its Subordinate Obligations and the pledge of Subordinate Net Revenues thereto, and the Trustee is willing to accept the trusts provided in this Indenture; and

WHEREAS, in order to provide for the authentication and delivery of the Subordinate Obligations, to establish and declare the terms and conditions upon which the Subordinate Obligations are to be issued and secured and to secure the payment of the principal, Accreted Value, and purchase price, if any, thereof and of the interest and premium, if any, thereon, the City Council of the City has authorized the execution of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Subordinate Obligations, 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 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 Indenture have been in all respects duly authorized.

NOW, THEREFORE, the City and the Trustee agree as follows, each for the benefit of the other and/or the benefit of holders of the Subordinate Obligations by this Indenture:

GRANTING CLAUSE

To secure the payment of the principal, Accreted Value, interest, premium, if any, and purchase price, if any, on the Subordinate Obligations and the performance and observance by the City of all the covenants, agreements and conditions expressed or implied herein or contained in the Subordinate Obligations, 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 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 City, in the following: (a) the Subordinate 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 Indenture, and to the extent provided in any Supplemental Subordinate 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 Subordinate Obligations, 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 Subordinate Obligation over any other Subordinate Obligation or Subordinate Obligations, except as to the timing of payment of the Subordinate Obligations. Any Debt Service Reserve Fund and any Debt Service Reserve Fund Surety Policy,

as defined hereinafter, provided at any time in satisfaction of all or a portion of the Reserve Requirement and any other security, Liquidity Facility or Credit Facility provided for specific Subordinate Obligations, a specific Series or Subseries of Subordinate Obligations or one or more Series or Subseries of Subordinate Obligations may, as provided by a Supplemental Subordinate Indenture, secure only such specific Subordinate Obligations, Series or Subseries of Subordinate Obligations or one or more Series or Subseries of Subordinate Obligations and, therefore, shall not be included as security for all Subordinate Obligations under this Indenture unless otherwise provided by a Supplemental Subordinate Indenture and moneys and securities held in trust as provided in Section 4.05 exclusively for Subordinate Obligations which have become due and payable and moneys and securities which are held exclusively to pay Subordinate Obligations which are deemed to have been paid under Article VII hereof shall be held solely for the payment of such specific Subordinate Obligations. All amounts held in the funds and accounts created under the Senior Lien Contract shall not be included as security for any Subordinate Obligations under this Indenture.

ARTICLE I

DEFINITIONS; INTERPRETATION

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

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

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

“*Aggregate Annual Debt Service*” shall mean for any Fiscal Year the aggregate amount of Annual Debt Service on all Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations. 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 Subordinate

Obligations and Unissued Subordinate Program Obligations in accordance with any amortization schedule established by the governing documents setting forth the terms of such Subordinate Obligations, including, as a principal payment, the Accreted Value of any Capital Appreciation Subordinate Obligations or Original Issue Discount Subordinate Obligations 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 subsection (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 Subordinate Obligations shall be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series or Subseries of Subordinate Obligations or Unissued Subordinate Program Obligations 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 Subordinate Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (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 City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under this Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax; with respect to any Series or Subseries of Subordinate Obligations, Unissued Subordinate Program Obligations or Subordinate Program Obligations, only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in (a) above or such other provision of this definition as shall be applicable and, with respect to any Series or Subseries, Unissued Subordinate Program Obligations or Subordinate Program Obligations, or that portion of a Series or Subseries 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 (a) above or such other provision of this definition as shall be applicable;

(c) any maturity of Subordinate Obligations which constitutes Balloon Indebtedness as described in provision (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 provision (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 City Representative stating that the City intends to refinance such maturity

and stating the probable terms of such refinancing and that the debt capacity of the City 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 provision (b) above and shall be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Subordinate Obligations (including Subordinate Program Obligations) or any Subordinate Obligations which are then proposed to be issued constitute Tender Indebtedness (but excluding Subordinate Program Obligations or Subordinate Obligations as to which a Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Aggregate Annual Debt Service, Tender Indebtedness shall be treated as if the principal amount of such Subordinate Obligations were to be amortized over a term of not more than 30 years commencing in the year in which such Series or Subseries 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; 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 City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under this Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax; and 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 (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 (e) or (f) below, as appropriate;

(e) if any Outstanding Subordinate Obligations constitute Variable Rate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Subordinate Obligations 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 City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable rate Subordinate Obligations of a corresponding term issued under this Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is

or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax;

(f) with respect to any Subordinate Program Obligations or Unissued Subordinate Program Obligations (other than a Commercial Paper Program) (i) debt service on such Subordinate Program Obligations 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 Subordinate Program Obligations, it shall be assumed that the full principal amount of such Unissued Subordinate Program Obligations will be amortized over a term certified by an Authorized City Representative at the time the initial Subordinate Program Obligations 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 City Representative to the expected duration of such Program at the time of such calculation, but not to exceed 30 years from the date of the initial issuance of such Subordinate Program Obligations 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 City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under this Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax;

(g) debt service on Repayment Obligations, to the extent such obligations constitute Subordinate Obligations under Section 2.12, shall be calculated as provided in Section 2.12;

(h) (i) for purposes of computing the Aggregate Annual Debt Service of Subordinate Obligations which constitute Synthetic Fixed Rate Debt, the interest payable thereon shall, if the City 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 City 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 City;

(ii) for purposes of computing the Aggregate Annual Debt Service of Subordinate Obligations with respect to which a Swap has been entered into whereby the City has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Subordinate Obligations to which such Swap pertains shall be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Subordinate Obligations shall, if the City

elects, be the sum of that rate as determined in accordance with subsection (e) 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 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 City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under this Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax;

(j) if moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be used to pay principal, Accreted Value and/or interest on specified Subordinate Obligations, then the principal, Accreted Value 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 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, Accreted Value and/or interest on specified Subordinate Obligations, then the principal, Accreted Value 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 Revenues) and not included in calculating Aggregate Annual Debt Service.

“Aggregate Required Deposits” shall mean, for any month, the sum of the Required Deposits under all Supplemental Subordinate Indentures becoming due in such month.

“Airport” shall mean the Long Beach Airport, located in the City and generally bounded by Carson Street to the North, North Lakewood Boulevard to the East, East Spring Street to the South and Cherry Avenue to the West; including all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the City, including all facilities and property related thereto, real or personal, under the jurisdiction and control of the City at such location or in which the City has other rights or from which the City derives revenues at such location; and including and excluding, as the case may be, such

property as the City may either acquire or which shall be placed under its control, or divest or have removed from its control.

“*Annual Debt Service*” shall mean, with respect to any Subordinate Obligation, the aggregate amount of principal, Accreted Value and interest becoming due and payable during the Fiscal Year, and if a Qualified Swap is in effect for such Subordinate Obligation, plus the amount payable by the City (or the Trustee) under the Qualified Swap in accordance with the terms thereof, less any amount to be received by the City 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.

“*Auditor*” shall mean the City Auditor or an independent certified public accountant appointed by the City.

“*Authorized Amount*” shall mean, when used with respect to Subordinate Obligations, including Subordinate Program Obligations, the maximum Principal Amount of Subordinate Obligations which is then authorized by a Supplemental Subordinate Indenture and/or 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 Subordinate Indenture. If the maximum Principal Amount of Subordinate Obligations or Subordinate Program Obligations authorized by a preliminary resolution adopted by the City Council or a form of Supplemental Subordinate Indenture approved by the City Council, pursuant to Section 2.09 of this Indenture exceeds the maximum Principal Amount of Subordinate Obligations set forth in the final resolution of sale adopted by the City Council or in the definitive Supplemental Subordinate Indenture executed and delivered by the City, pursuant to which such Subordinate Obligations are issued or such Program is established, the Principal Amount of such Subordinate Obligations or Subordinate Program Obligations as is set forth in said final resolution of sale adopted by the City Council or in the definitive Supplemental Subordinate Indenture as executed and delivered by the City, shall be deemed to be the “Authorized Amount.”

“*Authorized City Representative*” shall mean the City Manager, the CFO/Director of Financial Management, the City Treasurer, or such other officer or employee of the City or other person which other officer, employee or person has been designated by the City Manager as an Authorized City Representative by written notice delivered by the City 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 or Subseries of Subordinate Obligations fifty percent (50%) or more of the principal amount of which matures on the same date or within a Fiscal Year, that portion of such Series or Subseries which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Subordinate Obligations of a Series or Subseries maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series or Subseries 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 Subordinate Obligations,

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.

“*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 Indenture and which are reasonably acceptable to the City.

“*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 Long Beach, California, in any office of a Credit Provider where draws under a Credit 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 or Subseries of Subordinate Obligations if so provided by Supplemental Subordinate Indenture.

“*Capital Appreciation Subordinate Obligations*” shall mean Subordinate Obligations 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 Subordinate Indenture and is payable only upon redemption or on the maturity date of such Subordinate Obligations. Subordinate Obligations which are issued as Capital Appreciation Subordinate Obligations, but later convert to Subordinate Obligations on which interest is paid periodically shall be Capital Appreciation Subordinate Obligations until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Subordinate Obligations, 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 Subordinate Obligations, if any, funded from the proceeds of the Subordinate Obligations or other moneys that are deposited with the Trustee in the Debt Service Fund as shall be described in a Supplemental Subordinate Indenture upon issuance of Subordinate Obligations to be used to pay interest on the Subordinate Obligations.

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

“*CFO/Director of Financial Management*” shall mean the person at a given time who is the CFO/Director of Financial Management of the City or such other title as the City may from time to time assign for such position and the officer or officers succeeding to such position.

“*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 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. Any action required or authorized to be taken by the City Council in this Indenture may be taken by the

Authorized City Representative with such formal approvals by the City Council as are required by the policies and practices of the City and applicable laws; provided, however, that any action taken by the Authorized City Representative in accordance with the provisions of this Indenture shall conclusively be deemed by the Trustee and the Owners to be the act of the City without further evidence of the authorization thereof by the City Council.

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

“*City Treasurer*” shall mean the person at a given time who is the City Treasurer of the City or such other title as the City may from time to time assign for such position and the officer or officers succeeding to such position.

“*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 City.

“*Commercial Paper Program*” shall mean a Program authorized by 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 4.02 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 City to perform acts and carry out the duties provided for such consultant in this Indenture.

“*Contracts*” shall have the meaning provided for in Article I of the Senior Lien Contract as such definition exists on the date of execution of this Indenture.

“*Corporation*” shall mean the Long Beach Capital Improvement Corporation, and any successor thereto.

“*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 City or, Independent Consultant; (d) costs of the City 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 Subordinate Obligations, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, a Debt Service Reserve Fund, if any, Trustee's fees and expenses; (f) any Swap Termination Payments due in connection with a Series or Subseries of Subordinate Obligations or the failure to issue such Series or Subseries of Subordinate Obligations, 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 City, including, but not limited to broker-dealer fees, auction agent fees and market agent fees.

"Coverage Deposit Account" shall mean shall have the meaning provided for in Article I of the Senior Lien Contract as such definition exists on the date of execution of this Indenture.

"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 to make payment of or provide funds to the Trustee for the payment of the principal of and/or interest on Subordinate Obligations whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the City fails to do so.

"Credit Provider" shall mean the party obligated to make payment of principal of and interest on the Subordinate Obligations 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 as provided by Section 4.03 hereof.

"Debt Service Reserve Fund" shall mean any Debt Service Reserve Fund created by the City pursuant to a Supplemental Subordinate Indenture in connection with the issuance of any Series or Subseries of Subordinate Obligations and that is required to be funded for the purpose of providing additional security for such Series or Subseries of Subordinate Obligations and under certain circumstances to provide additional security for such other designated Series or Subseries of Subordinate Obligations issued pursuant to the terms of this Indenture and as specified in any Supplemental Subordinate 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 or Subseries of Outstanding Subordinate Obligations in lieu of or partial substitution for cash or securities on deposit therein. The entity providing such Debt Service Reserve Fund Surety Policy shall be rated 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 City in which such debt shall be offset with a Swap, such specific indebtedness to include all or any part of a Series or Subseries or multiple Series or Subseries of Subordinate Obligations.

“*Director of Public Works*” shall mean the person at a given time who is the Director of Public Works of the City or such other title as the City may from time to time assign for such position and the officer or officers succeeding to such position.

“*Enterprise*” shall mean the Airport and all operations of the Airport, including all of its revenue-producing functions, facilities and properties, whether or not directly related to the air transportation of people and goods.

“*Enterprise Fund*” shall mean the fund into which the revenues of the Enterprise are deposited now existing in the treasury of the City established under the Charter and by applicable ordinance, and any successor to such fund.

“*Estimated Completion Date*” shall mean the estimated date upon which a specified Project will have been substantially completed in accordance with the plans and specifications applicable thereto or the estimated date upon which a specified Project is expected to have been acquired and payment therefor made, in each case, as that date shall be set forth in a certificate of an Authorized City Representative delivered to the Trustee at or prior to the time of issuance of the Subordinate Obligations which are issued to finance such specified Project.

“*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 or 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 City with notice to any Credit Provider.

“*Holder*,” “*holder*,” “*Owner*” or “*Registered Owner*” shall mean the person in whose name any Subordinate Obligation or Subordinate Obligations 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 Subordinate Obligation under the provisions of Section 2.12 of this Indenture.

“*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 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 this Master Subordinate Trust Indenture dated as of November 1, 2004, by and between the City and the Trustee, together with all Supplemental Subordinate 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 City, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the City as an official, officer or employee.

“*Initial Subordinate Obligations*” shall mean those Subordinate Obligations issued pursuant to Section 2.14 of this Indenture.

“*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 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 items (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, guarantee or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Subordinate Obligations.

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

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

“*Maintenance and Operation Costs*” shall have the meaning provided for in Article I of the Senior Lien Contract as such definition exists on the date of execution of this Indenture; provided, however, for purposes of this Indenture, Maintenance and Operation Costs shall not include depreciation or any Maintenance and Operation Costs payable from moneys other than Revenues.

“*Maximum Aggregate Annual Debt Service*” shall mean the maximum amount of Aggregate Annual Debt Service with respect to all Subordinate Obligations, Unissued Subordinate Program Obligations and the Authorized Amount of all Subordinate Obligations 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 City with notice to any Credit Provider.

“*Net Revenues*” shall have the meaning provided for in Article I of the Senior Lien Contract as such definition exists on the date of execution of this Indenture.

“*1993 Installment Payments*” shall have the meaning provided for in Article I of the Senior Lien Contract as such definition exists on the date of execution of this Indenture.

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

“*Notes*” shall mean Subordinate Obligations issued under the provisions of Article II of this Indenture 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.

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

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

(a) Subordinate Obligations cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Subordinate Obligations deemed to be paid in accordance with Article VII;

(c) Subordinate Obligations in lieu of which other Subordinate Obligations have been authenticated under Section 2.05, 2.06 or 2.08;

(d) Subordinate Obligations 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) Subordinate Obligations which, under the terms of the Supplemental Subordinate Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) Repayment Obligations deemed to be Subordinate Obligations under Section 2.12 hereof to the extent such Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Subordinate Obligations acquired by the Liquidity Provider; and

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

“Passenger Facility Charges” shall mean all or a designated portion of charges collected by the City pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508), the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) and 14 CFR Part 158, as amended from time to time, in respect of the Enterprise and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

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

“Payment Date” shall mean, with respect to any Subordinate Obligations, each date on which interest is due and payable thereon and each date on which principal or Accreted Value is due and payable thereon whether by maturity or redemption thereof.

“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 City 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.

(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 and any Credit Provider. For purposes of this paragraph, the term "repurchase agreement" means a purchase of securities by the City pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the City by book-entry, physical delivery, or by third-party custodial agreement. 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.

“*Principal Amount*” or “*principal amount*” shall mean, as of any date of calculation, (a) with respect to any Capital Appreciation Subordinate Obligations, 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 Subordinate Obligations, the Accreted Value thereof, unless the Supplemental Subordinate Indenture under which such Subordinate Obligation was issued shall specify a different amount, in which case, the terms of the Supplemental Subordinate Indenture shall control, and (c) with respect to any other Subordinate Obligations, the principal amount of such Subordinate Obligation payable at maturity.

“*Program*” shall mean a financing program identified in a Supplemental Subordinate 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 City Council and the items described in Section 2.09(a) through (h) have been filed with the Trustee, (b) wherein the City 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 of this Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Authorized Amount.

“*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 or Subseries of Subordinate Obligations.

“*Qualified Swap*” shall mean any Swap (a) whose Designated Debt is all or part of a particular Series or Subseries of Subordinate Obligations; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60 day period preceding the date on which the calculation of Annual Debt Service or Aggregate Annual Debt Service is being made; (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 City as a Qualified Swap with respect to such Subordinate Obligations.

“*Qualified Swap Provider*” shall mean a financial institution whose senior long-term debt obligations, or whose obligations under any Qualified Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A1”, in the case of Moody’s and “A+”, in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in item (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.

“*Rate Reserve Amount*” shall have the meaning provided for in Article I of the Senior Lien Contract as such definition exists on the date of execution of this Indenture.

“*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 City to maintain a rating on the Subordinate Obligations and such Rating Agencies are then maintaining a rating on any of the Subordinate Obligations.

“*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 City pursuant to a Supplemental Subordinate Indenture in connection with the issuance of the Subordinate Obligations or any Series or Subseries of Subordinate Obligations 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 or Subseries of Subordinate Obligations, the record date as specified in the Supplemental Subordinate Indenture which provides for the issuance of such Series or Subseries.

“*Refunding Subordinate Obligations*” shall mean any Subordinate Obligations issued pursuant to Section 2.10 hereof to refund or defease all or a portion of any Series or Subseries of Outstanding Subordinate Obligations or any Senior Lien Obligations.

“*Registrar*” shall mean, with respect to the Subordinate Obligations or any Series or Subseries of Subordinate Obligations, the bank, trust company or other entity designated in a Supplemental Subordinate Indenture or a resolution of the City Council to perform the function of Registrar under this Indenture or any Supplemental Subordinate Indenture, and which bank, trust company or other entity has accepted the position in accordance with Section 9.12.

“*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 obligation arising under a written agreement of the City and a Credit Provider pursuant to which the City agrees to reimburse the Credit Provider for amounts paid by a Credit Provider pursuant to a Credit Facility to be used to pay debt service on any Subordinate Obligations and all other amounts due and owing to a Credit Provider under a Credit Facility, or an obligation arising under a written agreement of the City and a Liquidity Provider pursuant to which the City agrees to reimburse the Liquidity Provider for amounts paid by the Liquidity Provider pursuant to a Liquidity Facility to be used to pay the purchase price of Subordinate Obligations and all other amounts due and owing to a Liquidity Provider under a Liquidity Facility.

“*Required Deposits*” shall mean, with respect to any Series or Subseries of Subordinate Obligations, the amount determined in accordance with the terms of the Supplemental

Subordinate Indenture under which such Subordinate Obligations are issued and/or incurred, required to be deposited into funds and accounts created under such Supplemental Subordinate Indenture for the purpose of paying principal, Accreted Value and interest on Subordinate Obligations or accumulating funds from which to make such payments and to pay other obligations specifically secured by the Subordinate Net Revenues under such Supplemental Subordinate Indenture. On or before the Payment Date, if any, in each month, the Trustee shall determine the Aggregate Required Deposits from the Required Deposits described under each Supplemental Subordinate Indenture.

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

“*Resolution*” shall mean Resolution No. [] adopted by the City Council on October 19, 2004, as amended or supplemented.

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

“*Revenues*” shall have the meaning provided for in Article I of the Senior Lien Contract as such definition exists on the date of execution of this Indenture.

“*Senior Lien Obligations*” shall mean the 1993 Installment Payments and any other Contracts authorized and executed by the City pursuant to the terms of the Senior Lien Contract.

“*Senior Lien Contract*” shall mean, collectively, the Installment Purchase Contract, dated as of July 1, 1993, by and between the City and the Corporation, as supplemented and amended by the First Supplement to Installment Purchase Contract, dated as of November 1, 2004, by and between the City and the Corporation, together with all amendments and supplements thereto.

“*Senior Lien Trust Agreement*” shall mean the Trust Agreement, dated as of July 1, 1993, by and between the Corporation and the City.

“*Serial Subordinate Obligations*” shall mean Subordinate Obligations for which no sinking installment payments are provided.

“*Series*” shall mean Subordinate Obligations designated as a separate Series by a Supplemental Subordinate Indenture and, with respect to Subordinate Program Obligations 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 Subordinate Indenture, designated as a separate Series.

“*S&P*” shall mean Standard & Poor’s Ratings Services, 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 City with Notice to any Credit Provider.

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

“*Subordinate Net Revenues*” shall mean, for any period, an amount equal to all of the Revenues received during such period less, the amount required to pay all Maintenance and Operation Costs becoming payable during such period, less, for such period, all amounts which are required to be used to make the payments and deposits described in Sections 4.02(a) and (b) of the Senior Lien Contract as such Sections 4.02(a) and (b) exist on the date of execution of this Indenture, provided that the deposits to be made under Sections 4.02(a) and (b) shall include amounts to be deposited with respect to the 1993 Installment Payments and all additional Contracts.

“*Subordinate Obligation*” or “*Subordinate Obligations*” shall mean any debt obligation of the City issued as a taxable or tax-exempt obligation under and in accordance with the provisions of Article II of this Indenture, 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 of this Indenture. The terms “Subordinate Obligation” and “Subordinate Obligations” include Subordinate Program Obligations.

“*Subordinate Program Obligations*” shall mean Subordinate Obligations issued and Outstanding pursuant to a Program, other than Unissued Subordinate Program Obligations.

“*Subseries*” shall mean Subordinate Obligations designated as a separate Subseries by a Supplemental Subordinate Indenture in connection with a particular Series of Subordinate Obligations.

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

“*Swap*” shall mean any financial arrangement between 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 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 upfront 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 City.

“*Swap Termination Payment*” shall mean an amount payable by the City 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 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.

“*Tax Compliance Certificate*” shall mean the certificate of the City prepared by Bond Counsel and delivered by the City at the time of issuance and delivery of any Series or Subseries of Subordinate Obligations, the interest on which is excluded from gross income for federal income tax purposes pursuant to a favorable opinion of such Bond Counsel, making certifications and representations of the City as to the status of such Subordinate Obligations under the Code.

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

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

“*Transfer*” shall mean for any Fiscal Year the amount on deposit in the Coverage Deposit Account on the first day of such Fiscal Year and the amount of unencumbered funds on deposit or anticipated to be on deposit, as the case may be, in the Enterprise Fund on the first day of such Fiscal Year (after all deposits and payments required by Section 4.02(a) and (b) of the Senior Lien Contract and Section 6.10(b) of the Senior Lien Trust Agreement have been made as of the last day of the immediately preceding Fiscal Year).

“*Trustee*” shall mean the entity named as such in the heading of this Indenture until a successor replaces it and, thereafter, shall mean such successor.

“*Unissued Subordinate Program Obligations*” shall mean the bonds, notes or other indebtedness authorized to be issued pursuant to a Program and payable from Subordinate Net Revenues, issuable in an amount up to the Authorized Amount relating to such Program, which have been approved for issuance by the City pursuant to 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 but which have not yet been authenticated and delivered pursuant to the Program documents.

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

“*Variable Rate Indebtedness*” shall mean any Subordinate Obligation or Subordinate Obligations the interest rate on which is not, at the time in question, fixed to maturity, excluding any commercial paper program.

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

ARTICLE II

FORM, EXECUTION, DELIVERY AND REGISTRATION OF SUBORDINATE OBLIGATIONS

Section 2.01. Issuance of Subordinate Obligations; Form; Dating. Either taxable or tax-exempt Subordinate Obligations may be issued by the City under the terms of this Indenture for any purpose for which the City at the time of such issuance, may incur debt which may include issuing Subordinate Obligations and loaning the proceeds to other entities (if it is determined to be legally permissible for the City to do so at such time), provided that if the proceeds of the Subordinate Obligations are loaned to other entities, the loan repayments and interest thereon shall be included as Revenues. Subordinate Obligations may be issued under this Indenture only if the provisions of Section 2.09 are satisfied. The total principal amount of Subordinate Obligations of each Series or Subseries Outstanding may not exceed the amount specified in the Supplemental Subordinate Indenture providing for the issuance of such Subordinate Obligations; except as provided in Section 2.05 with respect to replacement of mutilated, lost or stolen or destroyed Subordinate Obligations. The Subordinate Obligations may be in certificated or uncertificated form, and Subordinate Obligations 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 Subordinate Indenture providing for the issuance of such Subordinate Obligations. In addition, Subordinate Obligations 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 City as provided in the applicable Supplemental Subordinate Indenture and in all cases subject to compliance with the provisions of Section 2.09 of this Indenture. The Subordinate Obligations may have notations, legends or endorsements required by law or usage.

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

All Subordinate Obligations shall contain a statement to the following effect:

The Subordinate Obligations are special limited obligations of the City, payable solely from and secured by a pledge of Subordinate Net Revenues derived by the City from the operations of the Enterprise and certain funds and accounts. None of the properties of the

Enterprise are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Obligations, 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, Accreted Value, if any, premium, if any, purchase price, if any, or interest on the Subordinate Obligations. Neither the Subordinate Obligations nor the obligation to pay principal of, Accreted Value or interest thereon constitutes a debt of the City, the State of California or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness.

In addition, each Subordinate Obligation shall contain an express statement that such obligation and the interest thereon are junior and subordinate in all respects to the Senior Lien Obligations as to lien on and source and security for payment from the Net Revenues.

Section 2.02. Terms, Medium and Place of Payment. The Subordinate Obligations 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 City 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 City shall determine. Subordinate Obligations shall mature and shall be subject to redemption prior to their respective maturities, all as shall be set forth in a Supplemental Subordinate Indenture. The Subordinate Obligations of each Series or Subseries shall state that they are issued under and are secured by this Indenture and the pledge of Subordinate Net Revenues and state that regardless of the form thereof, they are “Subordinate Obligations” issued hereunder and within the meaning of this Indenture.

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

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

Section 2.03. Execution and Authentication. The Subordinate Obligations, if in certificated form, will be signed by the City, as provided in the Supplemental Subordinate Indenture or in the resolution authorizing such Subordinate Obligations. In case any officer whose signature or whose facsimile signature shall appear on any Subordinate Obligations shall cease to be such officer before the authentication of such Subordinate Obligations, 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 Subordinate Obligation is the proper officer on the actual date of execution, the Subordinate Obligation 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 Indenture, such person was not such officer.

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

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

Subordinate Obligations issued under this 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 Subordinate Indenture, and neither the provisions of this Section nor any other provision of this Indenture shall be deemed to prohibit or restrict the issuance of uncertificated Subordinate Obligations.

Section 2.04. Subordinate Obligation Register. Subordinate Obligations of each Series or Subseries may be presented at the principal 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 or Subseries of Subordinate Obligations and of their transfer and exchange.

Section 2.05. Mutilated, Lost, Stolen or Destroyed Subordinate Obligations.

(a) In the event any Subordinate Obligation is mutilated or defaced but identifiable by number and description, the City shall execute and the Trustee shall authenticate and deliver a new Subordinate Obligation of like Series or Subseries, date, maturity and denomination as such Subordinate Obligation, 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 Subordinate Obligation 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 Subordinate Obligation 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 Subordinate Obligation is lost, stolen or destroyed, the City may execute and the Trustee may authenticate and deliver a new Subordinate Obligation of like Series or Subseries, date, maturity and denomination as that Subordinate Obligation 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 Subordinate Indenture, the Trustee may charge the Holder of any such Subordinate Obligation all governmental charges and

transfer taxes, if any, and its reasonable fees and expenses in this connection. All substitute Subordinate Obligations issued and authenticated pursuant to this Section shall be issued as a substitute and numbered, if numbering is provided for by the Supplemental Subordinate Indenture or the Trustee, as determined by the Trustee. In the event any such Subordinate Obligation has matured or been called for redemption, instead of issuing a substitute Subordinate Obligation, the Trustee may pay the same at its maturity or redemption without surrender thereof upon receipt of indemnity satisfactory to the Trustee.

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

Upon surrender for transfer of any Subordinate Obligation at the principal 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 Subordinate Obligation or Subordinate Obligations of authorized denominations of the same Series or Subseries and same maturity for the same aggregate principal amount.

Holders may present Subordinate Obligations at the principal corporate trust office of the Registrar for exchange for Subordinate Obligations of different authorized denominations and, upon such presentation, the Trustee or Registrar shall deliver to the Holder a new fully authenticated and registered Subordinate Obligation or Subordinate Obligations of the same Series or Subseries and same maturity for the same aggregate principal amount.

All Subordinate Obligations 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 Subordinate 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 Subordinate Obligation shall be delivered.

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

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

The City, the Trustee, the Registrar and the Paying Agent shall treat the Holder of a Subordinate Obligation, as shown on the registration books kept by the Registrar, as the person exclusively entitled to payment of principal, Accreted Value, premium, if any, purchase price, if any, and interest on such Subordinate Obligation and 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 Subordinate Obligations. Whenever any Subordinate Obligations shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 2.05 or exchange or transfer pursuant to Section 2.06, such Subordinate Obligation shall be cancelled and destroyed by the Trustee or the Registrar.

Section 2.08. Temporary Subordinate Obligations. Pending preparation of definitive Subordinate Obligations of any Series or Subseries, the City may execute and the Trustee shall authenticate and deliver, in lieu of definitive Subordinate Obligations and subject to the same limitations and conditions, temporary bonds or certificates which shall be exchanged for the Subordinate Obligations.

If temporary Subordinate Obligations shall be issued, the City shall cause the definitive Subordinate Obligations 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 Subordinate Obligations of an equal aggregate principal amount of authorized denominations, of the same Series or Subseries, date, maturity and bearing interest the same as the temporary Subordinate Obligations surrendered. Until so exchanged, the temporary Subordinate Obligations shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Subordinate Obligations to be issued and authenticated hereunder.

Section 2.09. Issuance of Series or Subseries of Subordinate Obligations; Supplemental Subordinate Indenture; Application of Subordinate Obligation Proceeds. Subordinate Obligations may be issued, at one time or in a Series or Subseries from time to time, subject to the conditions of this Section.

Each Series or Subseries of Subordinate Obligations 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 Subordinate Indenture relating to such Series or Subseries of Subordinate Obligations. In addition, each such Supplemental Subordinate Indenture may provide for the appointment of a Registrar or Registrars and a Paying Agent or Paying Agents and such other agents as the City shall determine to be necessary in addition to or in place of the Trustee.

Such Supplemental Subordinate Indenture may provide that the interest rate on the Subordinate Obligations and the duration of the periods during which such interest accrues may from time to time be adjusted and that the Subordinate Obligations 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 Subordinate Obligations, the criteria for such purchases upon demand and the procurement of Liquidity Facilities and Credit Facilities with respect to the Subordinate Obligations.

Each Series or Subseries of the Subordinate Obligations, upon execution by 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 or Subseries of Subordinate Obligations or delivery of the first Subordinate Obligations of a Program, there shall be filed with the Trustee the following:

(a) an original executed counterpart or a copy, certified by the City Clerk, of the Senior Lien Contract, this Indenture, together with all Supplemental Subordinate Indentures;

(b) an original executed counterpart or a copy, certified by the City Clerk, of the Supplemental Subordinate Indenture or Supplemental Subordinate Indentures providing for the issuance of such Series or Subseries of Subordinate Obligations and setting forth the terms of such Series or Subseries of Subordinate Obligations;

(c) except with respect to the issuance of any Refunding Subordinate Obligations, a certificate of an Authorized City Representative listing those facilities or undertakings which the City expects to finance with proceeds of the sale of such Series or Subseries of Subordinate Obligations or from which the City expects to select those Projects which will be financed with proceeds of the sale of such Series or Subseries of Subordinate Obligations 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 the Authorized City Representative or the Consultant or Consultants, as the case may be, required by Section 2.11;

(e) a certificate of the Authorized City Representative stating that none of the Events of Default set forth in Section 8.01(a), (b), (c), (e), (f) and (g) of this Indenture have occurred and remain uncured, that none of the events of default set forth in the Senior Lien Contract have occurred and remain uncured, and that the City is in full compliance with the terms of Sections 5.04 and 5.05 herein and with its rate covenants set forth in Section 5.14 of the Senior Lien Contract;

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

(g) written instructions from the City to authenticate the Subordinate Obligations and, upon receipt of the purchase price, to deliver the Subordinate Obligations 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 Subordinate Obligations of such Series or Subseries, certified by the City Clerk.

When the documents mentioned in clauses (a) to (i), inclusive, of the immediately preceding paragraph shall have been filed with the Trustee and when such Subordinate Obligations shall have been executed and authenticated, the Trustee or authenticating agent shall

deliver such Subordinate Obligations to or upon the order of the purchasers thereof, but only upon payment by the purchasers of the purchase price of such Subordinate Obligations.

Section 2.10. Refunding Subordinate Obligations. Refunding Subordinate Obligations may be issued under and secured by this Indenture. Such Refunding Subordinate Obligations shall be issued in accordance with the provisions of Sections 2.09 and 2.11 of this Indenture.

Section 2.11. Test for Issuance of Subordinate Obligations. The City may, by Supplemental Subordinate Indenture, issue or incur bonds, notes, loans, advances or indebtedness payable from Subordinate Net Revenues to provide financing for the Enterprise in such principal amount as shall be determined by the City. The City may issue or incur any such Subordinate Obligations subject to the provisions under subsections (1), (2) or (3) of the last paragraph of this Section 2.11 and excepting the Initial Subordinate Obligations, as a condition to the issuance of any Series or Subseries of Subordinate Obligations, there shall first be delivered to the Trustee either:

(a) a certificate prepared by an Authorized City Representative showing that the Subordinate Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series or Subseries of Subordinate Obligations or preceding the first issuance of the proposed Series or Subseries of Subordinate Program Obligations were at least equal to 110% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and the proposed Series or Subseries of Subordinate Obligations calculated as if the proposed Series or Subseries of Subordinate Obligations and the full Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding; or

(b) a certificate, dated as of a date between the date of pricing of the Subordinate Obligations being issued and the date of delivery of such Subordinate Obligations (both dates inclusive), prepared by a Consultant showing that:

(i) the Subordinate Net Revenues (as calculated by said Consultant) for any 12 consecutive months out of the most recent 24 consecutive months immediately preceding the date of issuance of the proposed Series or Subseries of Subordinate Obligations or the establishment of a Program were at least equal to 110% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations;

(ii) for each Fiscal Year during the period from the date of delivery of such certificate until the last Estimated Completion Date, as certified to the Consultant by an Authorized City Representative, the Consultant estimates that the City will be in compliance with Section 5.04(a) and (b) of this Indenture; and

(iii) the estimated Subordinate Net Revenues for each of the first three complete Fiscal Years immediately following the last Estimated Completion Date,

as certified to the Consultant by an Authorized City Representative, will be at least equal to 110% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Subordinate Obligations and Unissued Subordinate Program Obligations and calculated as if the proposed Series or Subseries of Subordinate Obligations and the full Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding.

For purposes of subparagraphs (a) and (b) above, no Transfer shall be taken into account in the computation of Subordinate Net Revenues by the Authorized City Representative or the Consultant.

For purposes of subsections (b)(ii) and (iii) above, in estimating Subordinate Net Revenues, the Consultant may take into account (1) Revenues from Projects or the Enterprise reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the City Council and will be in effect during the period for which the estimates are provided, (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Maintenance and Operation Costs, the Consultant shall use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Maintenance and Operation Costs, (ii) Maintenance and Operation Costs associated with the Projects and any other new components of the Enterprise, and (iii) such other factors, including inflation and changing operations or policies of the City, as the Consultant believes to be appropriate. The Consultant shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Subordinate Net Revenues and shall also set forth the calculations of Maximum Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants may rely upon financial statements prepared by the City which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that Auditor shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described above under Section 2.11(a) or (b) shall be required:

(1) if Subordinate Obligations being issued are for the purpose of refunding then Outstanding Subordinate Obligations and there is delivered to the Trustee, instead, a certificate of the Authorized City Representative showing that Maximum Aggregate Annual Debt Service after the issuance of such Refunding Subordinate Obligations will not exceed Maximum Aggregate Annual Debt Service prior to the issuance of such Refunding Subordinate Obligations;

(2) if the Subordinate Obligations being issued constitute Notes and there is delivered to the Trustee, instead, a certificate prepared by an Authorized City 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 Subordinate Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Notes and there is delivered to the Trustee a certificate of an Authorized City 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 City will be in compliance with Section 5.04(a) and (b) of this Indenture; or

(3) if the Subordinate Obligations being issued are to pay costs of completing a Project for which Subordinate Obligations have previously been issued and the principal amount of such Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Subordinate Obligations originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized City Representative and there is delivered to the Trustee (a) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (b) a certificate of an Authorized City Representative to the effect that (i) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Project) of the original Subordinate Obligations issued to finance such Project have been or will be used to pay Costs of the Project and (ii) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Construction Fund established for the Project (including unspent proceeds of Subordinate Obligations previously issued for such purpose).

Section 2.12. Repayment Obligations Afforded Status of Subordinate Obligations.

If a Credit Provider makes payment of principal, Accreted Value or interest on a Subordinate Obligation or if a Credit Provider or Liquidity Provider advances funds to purchase or provide for the purchase of Subordinate Obligations and is entitled to reimbursement thereof, pursuant to a separate written agreement with the City, but is not reimbursed, the City's Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Subordinate Obligation issued under this Article II, and, if afforded such status, the Credit Provider or Liquidity Provider shall be the Holder of such Subordinate Obligation, and such Subordinate Obligation shall be deemed to have been issued at the time of the original Subordinate Obligation for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of Sections 2.09 of this Article II; provided, however, (unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which the Subordinate Obligations are issued or in the agreement with the Credit Provider or 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 Subordinate Obligations 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 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 Subordinate Obligation shall be a subordinated obligation of the City payable after its obligations to fund the Senior Lien Obligations and the Subordinate Obligations 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 Subordinate Indenture. The Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such Repayment Obligation and that such Repayment Obligation is to be afforded the status of a Subordinate Obligation under this Indenture.

Section 2.13. Obligations Under Qualified Swap; Nonqualified Swap.

(a) The obligation of the City to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a Series or Subseries of Subordinate Obligations may be on a parity with the obligation of the City to make payments with respect to such Series or Subseries of Subordinate Obligations and other Subordinate Obligations under this Indenture, except as otherwise provided by Supplemental Subordinate Indenture and elsewhere herein with respect to any Swap Termination Payments. The City may provide in any Supplemental Subordinate Indenture that Regularly Scheduled Swap Payments under a Qualified Swap shall be secured by a pledge of or lien on the Subordinate Net Revenues on a parity with the Subordinate Obligations of such Series or Subseries and all other Subordinate Obligations, regardless of the principal amount, if any, of the Subordinate Obligations of such Series or Subseries 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 City 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 the Indenture or to institute any action, suit or proceeding in its own name, the Qualified Swap Provider shall provide to the Trustee reasonable security and indemnity 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 City under a Qualified Swap, such Swap Termination Payment and any such other amounts shall, unless otherwise provided in a Supplemental Subordinate Indenture, constitute a subordinated obligation of the City payable after its obligations to fund the Senior Lien Obligations and the Subordinate Obligations.

(c) Obligations of the City to make payments, including termination payments, under a non-Qualified Swap shall, unless otherwise provided in a Supplemental Subordinate Indenture, constitute obligations which are payable on a basis subordinate to the Subordinate Obligations.

Section 2.14. Issuance of Initial Subordinate Obligations. The Initial Subordinate Obligations shall be issued as a part of a Commercial Paper Program and in several Series, all pursuant to a Supplemental Subordinate Indenture. The Initial Subordinate Obligations shall be denominated "City of Long Beach, California Subordinate Airport Revenue Commercial Paper

Notes, Series ____.” Each Series of the Initial Subordinate Obligations shall be given a separate consecutive letter designation, beginning with the letter “A.” The Initial Subordinate Obligations shall be issued, from time to time, in an aggregate Principal Amount for all Series not exceeding \$15,000,000.

ARTICLE III

REDEMPTION OF SUBORDINATE OBLIGATIONS

Subordinate Obligations 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 Subordinate Indenture providing for the issuance of such Subordinate Obligations. The City may provide for the redemption of Subordinate Obligations from any funds available to the City and not obligated for other purposes.

In connection with the partial early redemption of any Term Subordinate Obligations of a Series or Subseries, the City may, in any Supplemental Subordinate Indenture, provide that the principal amount of Subordinate Obligations of such Series or Subseries 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 Subordinate Obligations of such Series or Subseries in any manner the City may determine. The City may provide in any Supplemental Subordinate Indenture that, prior to notice of redemption for any Subordinate Obligations of a Series or Subseries, moneys in the Debt Service Fund and any Debt Service Reserve Fund relating to such Series or Subseries of Subordinate Obligations may be applied at the direction of the City to the purchase of Subordinate Obligations of such Series or Subseries and, if any such purchased Subordinate Obligations are Term Subordinate Obligations, the City may allocate the principal amount of Subordinate Obligations of such Series or Subseries being redeemed against its scheduled sinking fund redemption for such Subordinate Obligations and may modify its scheduled sinking fund installments thereafter payable with respect to Subordinate Obligations of such Series or Subseries in any manner the City may determine.

ARTICLE IV

REVENUES AND FUNDS

Section 4.01. Subordinate Obligations Secured by a Pledge and Lien on Subordinate Net Revenues. The Subordinate Obligations authorized and issued under the provisions of this Indenture shall be secured as provided in the Granting Clause of this Indenture. The City hereby represents and states that it has not previously created any charge or lien on or any security interest in the Subordinate Net Revenues and the City covenants that, until all the Subordinate Obligations authorized and issued under the provisions of this 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 Indenture and the Senior Lien Contract, grant any prior or parity pledge of or any security interest in the Subordinate Net Revenues or any of the other security which is pledged pursuant to the Granting Clause of this 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 Subordinate Obligations from time to time Outstanding

under this Indenture. The City may, as provided in and as limited by Section 5.06, grant a lien on or security interest in the Subordinate Net Revenues ranking junior and subordinate to the charge or lien of the Subordinated Obligations issued or incurred in accordance with the terms of this Indenture.

Section 4.02. Authorization for Creation of Construction Fund. Proceeds of each Series or Subseries of Subordinate Obligations which are to be used to pay Costs of the Projects shall be deposited into a fund created for such Series or Subseries of Subordinate Obligations which shall be designated “City of Long Beach, California Subordinate Airport Revenue [Obligations/Bonds/Commercial Paper Notes] Construction Fund [Series/Subseries] _____” (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 Indenture, a Supplemental Subordinate Indenture or Supplemental Subordinate Indentures. All moneys in each Construction Fund shall be held and disbursed as provided in the Supplemental Subordinate Indenture or Supplemental Subordinate Indentures under which such fund or funds were created. Notwithstanding this provision, no Construction Fund shall be required for a given Series or Subseries of Subordinate Obligations 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 Subseries or are used to refund Senior Lien Obligations or Subordinate Obligations or otherwise the City determines that there is no need to create a Construction Fund for such Series or Subseries.

Section 4.03. Creation and Funding of Debt Service Funds. The City shall, at the time of issuance of each Series or Subseries of Subordinate Obligations create a Debt Service Fund for such Series or Subseries, which Debt Service Fund shall be designated “City of Long Beach, California Subordinate Airport Revenue [Obligations/Bonds/Commercial Paper Notes] Debt Service Fund [Series/Subseries] _____” (each, respectively, a “Debt Service Fund”), which Debt Service Fund and all subaccounts shall be held by the Trustee or any agent of the Trustee, and amounts to be used to pay principal, Accreted Value and interest on such Series or Subseries, 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 Subordinate Indenture.

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

The Trustee shall, at least fifteen (15) Business Days prior to each Payment Date on any Subordinate Obligation, give the City notice by telephone, promptly confirmed in writing, of the Aggregate Required Deposits, after taking into account Capitalized Interest, if any, on deposit in the Debt Service Fund, required to be deposited with the Trustee in order to make each payment of debt service coming due on such Payment Date. With respect to any Series or Subseries of Subordinate Obligations, the Supplemental Indenture under which such Subordinate Obligations are issued may provide for different times and methods of notifying the City of payment dates

and amounts to accommodate the specific provisions of such Series or Subseries and, in such event, the terms of such Supplemental Indenture shall control.

At least five Business Days prior to each Payment Date, the City Treasurer shall withdraw, or cause to be withdrawn, from the Enterprise Fund and pay to the Trustee the full Aggregate Required Deposits needed to make the principal, Accreted Value and/or interest payments due on such Payment Date.

On any day on which the Trustee receives funds from the City Treasurer to be used to pay principal of, Accreted Value or interest on Subordinate Obligations, the Trustee shall, if the amount received is fully sufficient to pay all amounts of principal, Accreted Value and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Debt Service Funds for the Series or Subseries of Subordinate Obligations for which such payments were made and any excess shall be applied to pay all amounts of principal, Accreted Value 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, Accreted Value 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 Subordinate Obligations and, if the amount available shall not be sufficient to pay in full all interest on the Subordinate Obligations then due, then pro rata among the Series or Subseries according to the amount of interest then due, and second to the payment of principal and/or Accreted Value then due on the Subordinate Obligations and, if the amount available shall not be sufficient to pay in full all principal and/or Accreted Value on the Subordinate Obligations then due, then pro rata among the Series or Subseries according to the Principal Amount then due on the Subordinate Obligations.

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 Subordinate Obligations secured thereby, then the City may be required by a Subordinate Supplemental Indenture to replenish such Debt Service Reserve Fund or Debt Service Reserve Funds or reimburse the Credit Provider of the Credit Facility for the Debt Service Reserve Fund from Subordinate Net Revenues provided that (a) no amount from Subordinate Net Revenues may be used for such purpose until all payments of principal of, Accreted Value and interest on all Subordinate Obligations 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 and to fund the Debt Service Reserve Fund 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 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 pro rata on the basis of the Outstanding Principal Amount of Subordinate Obligations secured thereby.

Notwithstanding the foregoing, the City may, in the Subordinate Supplemental Indenture authorizing such Series or Subseries of Subordinate Obligations, provide for different provisions

and timing of deposits with the Trustee and different methods of paying principal of, Accreted Value or interest on such Subordinate Obligations depending upon the terms of such Subordinate Obligations 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 or Subseries of Subordinate Obligations for which such Credit Facility is provided.

If the Subordinate Net Revenues are at any time insufficient to make the deposits required to make payments on the Subordinate Obligations, 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 4.04. Creation of Debt Service Reserve Funds; Additional Funds and Accounts. The City may, at the time of issuance of any Series or Subseries of Subordinate Obligations or at any time thereafter, provide by Supplemental Subordinate Indenture for the creation of a Debt Service Reserve Fund as security for such Series or Subseries, and in its discretion reserving the right to allow a future Series or Subseries of Subordinate Obligations to participate in such Debt Service Reserve Fund. The City shall, by such Supplemental Subordinate 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 City may deem to be appropriate, including providing a Credit Facility in lieu thereof. In addition, the City may, by Supplemental Subordinate Indenture, create additional funds and accounts for such purposes as the City deems appropriate, including separate funds available only for specified Subordinate Obligations or Series or Subseries of Subordinate Obligations.

Section 4.05. Moneys Held in Trust for Matured Subordinate Obligations; 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 Subordinate Obligations, either at the maturity thereof or upon call for redemption, or which are set aside by the Trustee for such purposes and for which Subordinate Obligations the maturity date or redemption date shall have occurred, shall be held in trust for the respective holders of such Subordinate Obligations. But any moneys which shall be so set aside or deposited and which shall remain unclaimed by the Holders of such Subordinate Obligations for a period of one (1) year after the date on which such Subordinate Obligations shall have become due and payable (or such longer period as shall be required by state law) shall be paid to the City, and thereafter the Holders of such Subordinate Obligations shall look only to the City for payment and the City 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 City hereby recognizes that while any Subordinate Obligations are Outstanding in book-entry-only form there should be no unclaimed moneys.

Section 4.06. Additional Security. The pledge of Subordinate Net Revenues and the other security provided in the Granting Clause hereof, secure all Subordinate Obligations issued under the terms of this Indenture on an equal and ratable basis, except as to the timing of such payments. The City may, however, in its discretion, provide additional security or credit

enhancement for specified Subordinate Obligations or Series or Subseries of Subordinate Obligations with no obligation to provide such additional security or credit enhancement to other Subordinate Obligations.

ARTICLE V

COVENANTS OF THE CITY

Section 5.01. Payment of Subordinate Obligations. The City covenants and agrees that it will duly and punctually pay or cause to be paid from the Subordinate Net Revenues and to the extent thereof the principal of, Accreted Value, premium, if any, purchase price, if any, and interest on every Subordinate Obligation at the place and on the dates and in the manner set forth herein, in the Supplemental Subordinate Indentures, in the Subordinate Obligations specified and in a Credit Facility and/or a Liquidity Facility, if any, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements herein, in the Subordinate Obligations and in the Credit Facility and/or Liquidity Facility, if any, contained, provided that the City's obligation to make payments of the principal of, Accreted Value, premium, if any, purchase price, if any, and interest on the Subordinate Obligations shall be limited to payment from the Subordinate Net Revenues, the funds and accounts pledged therefor in the Granting Clause of this Indenture and any other source which the City may specifically provide for such purpose and no Holder shall have any right to enforce payment from any other funds of the City.

Section 5.02. Performance of Covenants by City; Authority; Due Execution. The City covenants that it will faithfully perform at all times any and all covenants and agreements contained in this Indenture, in any and every Subordinate Obligation executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The City covenants that it is duly authorized under the Constitution and laws of the State and the Act to issue the Subordinate Obligations and pledge and grant a security interest in the Subordinate Net Revenues and other security pledged thereto or in which a security interest is granted and that the City has not previously pledged such Subordinate Net Revenues or other assets to secure other obligations.

Section 5.03. Senior Lien Contract Covenants. The City hereby covenants to comply with the covenants in Sections 5.03, 5.04, 5.07, 5.09, 5.10 and 5.13 of the Senior Lien Contract as long as Subordinate Obligations are Outstanding and this Indenture is in full force and effect. Sections 5.03, 5.04, 5.07, 5.09, 5.10 and 5.13 of the Senior Lien Contract are incorporated by reference herein as such Sections exist on the date hereof. Such covenants shall be in full force and effect notwithstanding the defeasance of any Senior Lien Obligations issued under the Senior Lien Contract.

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

(a) The City shall, while any of the Subordinate Obligations remain Outstanding (but subject to all existing contracts and legal obligations of the City as of the date of execution of this Indenture setting forth restrictions relating thereto), establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Enterprise and for services rendered in connection therewith, during each Fiscal Year,

which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Revenues sufficient to pay the following amounts in the following order of priority:

(i) all Maintenance and Operation Costs estimated by the City to become due and payable in such Fiscal Year;

(ii) all payments of principal of and interest on any Senior Lien Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent interest on the Senior Lien Obligations are payable from proceeds of the Senior Lien Obligations deposited for such purpose;

(iii) all amounts, if any, required to restore the balance in any reserve fund established pursuant to the Senior Lien Contract to the full amount of the reserve requirement set forth in the Senior Lien Contract;

(iv) all payments of principal, Accreted Value and interest on any Subordinate Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent interest on the Subordinate Obligations are payable from proceeds of the Subordinate Obligations;

(v) all amounts, if any, required to restore the balance in a Debt Service Reserve Fund to the full amount of the reserve requirement set forth in such Supplemental Subordinate Indenture; and

(vi) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Revenues during such Fiscal Year.

(b) In addition, the City hereby covenants to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Enterprise and for services rendered in connection therewith, so that during each Fiscal Year Subordinate Net Revenues, together with any Transfer, will be equal to at least 110% of the Aggregate Annual Debt Service on the Outstanding Subordinate Obligations in such Fiscal Year. For purposes of this paragraph (b), the amount of any Transfer taken into account shall not exceed 10% of Aggregate Annual Debt Service on the Outstanding Subordinate Obligations in such Fiscal Year.

(c) The City hereby covenants that if Subordinate Net Revenues, together with any Transfer (only as applied in (b) above), in any Fiscal Year are less than the amounts specified in paragraph (a) or (b) of this Section 5.04, the City will retain and direct a Consultant to make recommendations as to the revision of the Enterprise's business operations and its schedule of rentals, rates, fees and charges for the use of the Enterprise and for services rendered by the City in connection with the Enterprise, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the City shall take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Subordinate

Net Revenues, together with any Transfer (only as applied in (b) above), in the amounts specified in paragraph (a) or (b) of this Section 5.04 in the next succeeding Fiscal Year.

(d) In the event that Subordinate Net Revenues for any Fiscal Year, together with any Transfer (only as applied in (b) above), are less than the amount specified in paragraph (a) or (b) of this Section 5.04, but the City promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as required by paragraph (c) of this Section 5.04, such deficiency in Subordinate Net Revenues shall not constitute an Event of Default under the provisions of Section 8.01(d). Nevertheless, if after taking the measures required by paragraph (c) of this Section 5.04 to revise the schedule of rentals, rates, fees and charges, Subordinate Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of Enterprise Fund for such Fiscal Year) are less than the amount specified in paragraph (a) or (b) of this Section 5.04, such deficiency in Subordinate Net Revenues shall constitute an Event of Default under the provisions of Section 8.01(d).

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

Section 5.06. Junior and Subordinated Obligations. The City may, from time to time, incur indebtedness with a lien on Subordinate Net Revenues ranking junior and subordinate to the lien of the Subordinate Obligations. Such indebtedness shall be incurred at such times and upon such terms as the City shall determine; provided that:

(a) any resolution of the City Council or indenture of the City authorizing the issuance of any subordinate obligations shall specifically state that such lien on or security interest granted in the Subordinate Net Revenues is junior and subordinate to the lien on and security interest in such Subordinate Net Revenues and other assets granted to secure the Subordinate Obligations;

(b) payment of principal of, accreted value and interest on such subordinated obligations shall be permitted; provided that all deposits required to be made to the Trustee to be used to pay debt service on the Subordinate Obligations or to replenish the Debt Service Reserve Fund, if any, are then current in accordance with Section 4.03 of this Indenture; and

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

Section 5.07. Maintenance of Powers. The City 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 Subordinate Obligations or the performance or observance of any of the covenants herein contained.

Section 5.08. Maintenance and Operation of Enterprise. The City hereby covenants that the Enterprise shall at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with (provided the City shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Enterprise shall be obtained and maintained and that all necessary repairs, improvements and replacements of the Enterprise shall be made, subject to sound business judgment. The City will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the City, all taxes, if any, assessments or other governmental charges lawfully imposed upon the Enterprise or upon any part thereof, or upon the Revenues, the Net Revenues or the Subordinate Net Revenues, when the same shall become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues, the Net Revenues or the Subordinate Net Revenues or the Enterprise or any part thereof constituting part of the Enterprise.

Section 5.09. Accounts. The City hereby covenants that it will keep and provide accurate books and records of account showing all Revenues received and all expenditures of the City and that it will keep or cause to be kept accurate books and records of account showing all moneys, Revenues, accounts and funds (including the Enterprise Fund and all funds and accounts provided for in this Indenture) which are or shall be in the control or custody of the City or the City Treasurer pertaining to the Enterprise, 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 ten percent (10%) of the Principal Amount of Subordinate Obligations then Outstanding, or their representatives duly authorized in writing. Within 180 days after the close of each Fiscal Year, so long as any of the Subordinate Obligations remain Outstanding, the City will prepare and deliver or cause to be delivered to the Trustee 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 Fund all accompanied by a certificate or opinion in writing of an independent certified public accountant of recognized standing, selected by the City, which opinion shall include a statement that said financial statements present fairly in all material respects the financial position of the Enterprise Fund and are prepared in accordance with generally accepted accounting principles; provided, however, the Trustee shall hold such financial statements solely as an accommodation to the holders of the Subordinate Obligations and shall have no duty or obligation to review such financial statements.

Section 5.10. Covenants of City Binding on City and Successors. All covenants, stipulations, obligations and agreements of the City contained in this Indenture shall be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law. If the powers or duties of the City 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 City, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the City, then the entity that shall succeed to such powers or duties of the City shall act and be obligated in the place and stead of the City as in this 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 Indenture, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provision of this Indenture shall be exercised or performed by the City or by such officers, board, body or commission as may be permitted by law to exercise such powers or to perform such duties.

Section 5.11. Instruments of Further Assurance. The City covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such Supplemental Subordinate 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 City under and pursuant to this Indenture and the security intended to be conferred hereby to secure the Subordinate Obligations.

Section 5.12. Obligations Secured by Other Revenues. The City may, from time to time, incur indebtedness payable solely from certain revenues of the Enterprise which do not constitute Revenues, Net Revenues or Subordinate Net Revenues at such times and upon such terms and conditions as the City shall determine, provided that such indebtedness shall specifically include a provision that payment of such indebtedness is neither secured by nor payable from Subordinate Net Revenues. The City may also, from time to time, incur indebtedness payable from and secured by both Subordinate Net Revenues and certain revenues of the Enterprise which do not constitute Revenues, Net Revenues or Subordinate Net Revenues at such times and upon such terms and conditions as the City shall determine, provided that the conditions set forth in the Indenture for the issuance of indebtedness payable from and secured by Net Revenues or Subordinate Net Revenues, including, without limitation, Section 2.09, Section 2.11 and Section 5.06, as applicable, are met.

Section 5.13. Indenture To Constitute a Contract. This Indenture, including all Supplemental Subordinate Indentures, is executed by the City 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 Enterprise Fund may be invested by 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 Indenture or any Supplemental Subordinate Indenture shall be invested and reinvested as directed in writing by the City, 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 Subordinate 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 City shall direct such investments by written certificate (upon which the Trustee may conclusively rely) of an Authorized City Representative or by telephone instruction followed by prompt written confirmation by an Authorized City Representative; in the absence of any such instructions, the Trustee shall, to the extent practicable, invest in Permitted Investments specified in (q) of the definition thereof.

The Trustee may sell at the best price reasonably obtainable, 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 resulting from any such Permitted Investment.

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

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

ARTICLE VII

DEFEASANCE

Subordinate Obligations 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 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 Subordinate Obligations which have been issued under this Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable hereunder by the City, 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 Subordinate Net Revenues and the other assets pledged to secure the Subordinate Obligations hereunder shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release this Indenture, shall execute, acknowledge and deliver to the City such instruments as shall be requisite to evidence such cancellation, discharge and release and shall assign and deliver to the City any property and revenues at the time subject to this 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, Accreted Value, premium, if any, purchase price, if any, and interest on the Subordinate Obligations.

A Subordinate Obligation shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when payment of the principal, Accreted Value, interest, purchase price, if any, and premium, if any, either (a) shall have been made or caused to be made in accordance with the terms of the Subordinate Obligations and this Indenture or (b) shall have been provided for by depositing with the Trustee in trust and 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. At such times as Subordinate Obligations shall be deemed to be paid hereunder, such Subordinate Obligations shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of payment from such moneys or Federal Securities.

Any deposit under clause (b) of the foregoing paragraph shall be deemed a payment of such Subordinate Obligations. Once such deposit shall have been made, the Trustee shall notify all Holders of the affected Subordinate Obligations that the deposit required by (b) above has been made with the Trustee and that such Subordinate Obligations 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 Subordinate Indenture under which such Subordinate Obligations were issued. The City may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued, modify or otherwise change the scheduled date for the redemption or payment of any Subordinate Obligation deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Subordinate Obligations or this Indenture subject to (i) receipt of an approving opinion of Bond Counsel that such action will not adversely affect the tax-exemption of any Subordinate Obligation or Subordinate Obligations 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 Subordinate Obligations. Notwithstanding anything in this Article to the contrary, moneys from the trust or escrow established for the defeasance of Subordinate Obligations may be withdrawn and delivered to the City so long as the requirements of subparagraphs (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 Subordinate Obligations, the City may permit, or cause to be assigned to Subordinate Obligations 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 Indenture as an “Event of Default”:

(a) a failure by the City to pay or cause to be paid the principal of, Accreted Value or premium, if any, on any of the Subordinate Obligations when the same shall become due and payable at maturity or upon redemption;

(b) a failure by the City to pay or cause to be paid any installment of interest on any of the Subordinate Obligations when such interest shall become due and payable;

(c) a failure by the City to pay or cause to be paid the purchase price of any Subordinate Obligation when such purchase price shall be due and payable upon an optional or mandatory tender date as provided in a Supplemental Subordinate Indenture;

(d) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) of this Section 8.01) that are to be observed or performed by the City and which are contained in this Indenture or a Supplemental Subordinate Indenture, which failure, except for a violation under Section 5.04 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 City 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 Subordinate Obligations then Outstanding, unless the Trustee, or the Trustee and the Holders of Subordinate Obligations in a Principal Amount not less than the Principal Amount of Subordinate Obligations 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 Subordinate Obligations shall be deemed to have agreed to an extension of such period if corrective action is initiated by the City 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;

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

(g) a default by the City to pay or cause to be paid the principal of or interest on any Senior Lien Obligations.

If, on any date on which payment of principal of, Accreted Value or interest on the Subordinate Obligations 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 City.

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 Subordinate Obligations then Outstanding and receipt 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 City 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 Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of this Indenture;

(ii) bring suit upon the Subordinate Obligations;

(iii) commence an action or suit in equity to require the City 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 (i) the Trustee has actual knowledge of the occurrence of an Event of Default caused by the default in the payment or purchase of any Subordinate Obligations or Senior Lien Obligations or (ii) the Trustee has received written notice of the occurrence of any Event of Default not described in (i).

(c) In no event, upon the occurrence and continuation of an Event of Default described in Section 8.01, shall the Trustee, the Holders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of, Accreted Value and interest on the Subordinate Obligations Outstanding.

Section 8.03. Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under this Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the City, the Trustee, the Holders and any Credit Provider and/or Liquidity Provider 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 Indenture to the contrary notwithstanding, Holders of a majority in Principal Amount of the Subordinate Obligations 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 Indenture to be taken in connection with the enforcement of the terms of this Indenture or exercising any trust or power conferred on the Trustee by this Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and this 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. If a Credit Facility is securing Subordinate Obligations, such Credit Provider shall act on behalf of the Holders under this Section 8.04.

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 Subordinate Obligations, 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 Subordinate Obligations 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 Indenture, or to enforce any right hereunder or under the Subordinate Obligations, 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 Indenture, the right of any Holder to receive payment of the principal of, Accreted Value and interest on such Subordinate Obligation or the purchase price thereof, on or after the respective due dates expressed therein and to the extent of the pledge of Subordinate Net Revenues and other security provided for the Subordinate Obligations, 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 Subordinate Obligations. All rights of action under this Indenture or under any of the Subordinate Obligations secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Subordinate Obligations, 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 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 Indenture or the Subordinate Obligations shall also be conditions to seeking any remedies under any of the foregoing pursuant to this Section 8.08.

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), shall be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Obligations, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Subordinate 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, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Subordinate Obligations which shall have become due with interest on such Subordinate Obligations at such rate as provided in a Supplemental Subordinate Indenture from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full Subordinate Obligations 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, Accreted Value and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

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, Accreted Value 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 Subordinate Obligations 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 Indenture or by applicable law.

Section 8.12. Additional Events of Default and Remedies. So long as any particular Series or Subseries of Subordinate Obligations is Outstanding, the remedies as set forth in this Article may be supplemented with additional remedies as set forth in a Supplemental Subordinate Indenture under which such Series or Subseries of Subordinate Obligations 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 Indenture, but only upon the additional terms set forth in this Article, to all of which the City agrees and the respective Holders agree by their acceptance of delivery of any of the Subordinate Obligations.

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 Indenture and no implied duties or obligations shall be read into this 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 Indenture. However, the Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of this 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 City in the manner provided in this Indenture.

(e) The Trustee shall not, by any provision of this 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 Indenture at the request or direction of any of the Holders of the Subordinate Obligations, 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 Indenture that in any way relates to the Trustee is subject to all the paragraphs of this Section.

Section 9.03. Rights of Trustee. Subject to Section 9.02, 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 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 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 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 City, 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 Indenture in reliance on such certificate.

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

Section 9.04. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Subordinate Obligations and may otherwise deal with the City 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 City's use of the proceeds from the Subordinate Obligations paid to the City and it shall not be responsible for any statement in the Subordinate Obligations 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 City 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 as provided for in Section 8.02(b)(i) hereof or written notice as provided for in Section 8.02(b)(ii) hereof or event described in (b) of the first sentence of this Section, give notice thereof to each Holder and each Credit Provider. Except in the case of a default in payment or purchase on any Subordinate Obligations, 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 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 Indenture, in accordance with a separate fee schedule setting forth such terms and conditions which has been approved by the City. The City agrees to pay such amounts to the Trustee. The City 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 gross negligence, willful misconduct or breach of duty, 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. Such obligation shall survive the discharge of this Indenture or the resignation or removal of the Trustee.

Section 9.08. Eligibility of Trustee. This 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 City in writing prior to the proposed effective date of the resignation. The Holders of a majority in Principal Amount of the Subordinate Obligations may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the City's consent. The City may remove the Trustee, by notice in writing delivered to the Trustee and each Credit Provider at least 60 days prior to the proposed removal date; provided, however, that the City 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 City and each Credit Provider and/or Liquidity Provider. 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 Indenture.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under this Indenture, the City shall promptly appoint a successor Trustee acceptable to each Credit Provider.

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 City delivers notice of removal, the retiring Trustee, the City or the Holders of a majority in Principal Amount of the Subordinate Obligations 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 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 City may upon notice to the Trustee at any time or from time to time appoint a Paying Agent or Paying Agents for the Subordinate Obligations or for any Series or Subseries of Subordinate Obligations, and each Paying Agent, if other than the Trustee, shall designate to the City and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder or under a Supplemental Subordinate Indenture by a written instrument of acceptance delivered to the City 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, Accreted Value, premium, if any, purchase price, if any, or interest on Subordinate Obligations 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 City 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 City shall appoint the Registrar for the Subordinate Obligations or a Registrar or Registrars for any Series or Subseries of Subordinate Obligations 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 City its principal office and signify its acceptance of the duties imposed upon it hereunder or under a Supplemental Subordinate Indenture by a written instrument of acceptance delivered to the City and the Trustee under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the City, the Trustee, and the Paying Agent on each Business Day during reasonable business hours.

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

Section 9.14. Several Capacities. Anything in this Indenture to the contrary notwithstanding, with the consent of the City, 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 Indenture, under a Supplemental Subordinate 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 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 Subordinate Obligations and all funds and accounts established by it pursuant to this Indenture. Such records shall be available for inspection with reasonable prior notice by the City on each Business Day during reasonable business hours and by any Holder or Credit Provider, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

(b) The Trustee shall provide to the City each month a report of any Subordinate Obligation proceeds received during that month, if any, and the amounts deposited into each fund and account held by it under this 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 City a statement (which need not be audited) covering receipts, disbursements, allocation and application of Subordinate Obligation proceeds, Subordinate Net Revenues and any other moneys in any of the funds and accounts established by it pursuant to this Indenture or any Supplemental Subordinate Indenture for the preceding year. If requested, the Trustee shall provide a copy of such statement to any Credit Provider.

ARTICLE X

MODIFICATION OF THIS INDENTURE

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

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

(a) to provide for the issuance of a Series or Subseries or multiple Series or Subseries of Subordinate Obligations under the provisions of Section 2.09 of this Indenture and to set forth the terms of such Subordinate Obligations and the special provisions which shall apply to such Subordinate Obligations;

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

(c) to add to the covenants and agreements of the City in this Indenture or any Supplemental Subordinate Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the City, 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 Subordinate 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 City provided pursuant to this Indenture or to otherwise add additional security for the Holders;

(e) to evidence any change made in the terms of any Series or Subseries of Subordinate Obligations if such changes are authorized by a Supplemental Subordinate Indenture at the time the Series or Subseries of Subordinate Obligations is issued and such change is made in accordance with the terms of such Supplemental Subordinate 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 Indenture or any Supplemental Subordinate Indenture in any other respect which is not materially adverse to the Holders;

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

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

(j) to accommodate the technical, operational and structural features of Subordinate Obligations 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 bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the City from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Subordinate Obligations or a specific Series or Subseries of Subordinate Obligations; 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 Subordinate Obligations, including, without limitation, the segregation of Revenues into different funds.

Before the City shall, pursuant to this Section, execute any Supplemental Subordinate Indenture, there shall have been delivered to the City and Trustee an opinion of Bond Counsel to the effect that such Supplemental Subordinate Indenture is authorized or permitted by this 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 City in accordance with its terms and will not cause interest on any of the Subordinate Obligations 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 Subordinate Indenture Requiring Consent of Subordinate Obligation Holders.

(a) Except for any Supplemental Subordinate Indenture entered into pursuant to Section 10.02 and any Supplemental Subordinate Indenture entered into pursuant to Section 10.03(b) below, subject to the terms and provisions contained in this Section 10.03 and not otherwise, the Holders of not less than a majority in aggregate Principal Amount of the Subordinate Obligations then Outstanding shall have the right from time to time to consent to and approve the execution by the City of any Supplemental Subordinate Indenture deemed necessary or desirable by the City for the

purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in a Supplemental Subordinate Indenture; provided, however, that, unless approved in writing by the Holders of all the Subordinate Obligations then Outstanding or unless such change affects less than all Series or Subseries of Subordinate Obligations and the following subsection (b) 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, purchase price, if any, interest on or Accreted Value of any Outstanding Subordinate Obligations or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations or the rate of interest thereon; and provided that nothing herein contained, including the provisions of Section 10.03(b) below, shall, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by this Indenture) upon or pledge of the Subordinate Net Revenues created by this Indenture, ranking prior to or on a parity with the claim created by this Indenture, (iv) except with respect to additional security which may be provided for a particular Series or Subseries of Subordinate Obligations, a preference or priority of any Subordinate Obligation or Subordinate Obligations over any other Subordinate Obligation or Subordinate Obligations with respect to the security granted therefor under the Granting Clauses hereof, or (v) a reduction in the aggregate Principal Amount of Subordinate Obligations the consent of the Holders of which is required for any such Supplemental Subordinate Indenture. Nothing herein contained, however, shall be construed as making necessary the approval by Holders of the execution of any Supplemental Subordinate Indenture as authorized in Section 10.02, including the granting, for the benefit of particular Series or Subseries of Subordinate Obligations, security in addition to the pledge of the Subordinate Net Revenues.

(b) The City may, from time to time and at any time, execute a Supplemental Subordinate Indenture which amends the provisions of an earlier Supplemental Subordinate Indenture under which a Series or Subseries or multiple Series or Subseries of Subordinate Obligations were issued. If such Supplemental Subordinate Indenture is executed for one of the purposes set forth in Section 10.02, no notice to or consent of the Holders shall be required. If such Supplemental Subordinate Indenture contains provisions which affect the rights and interests of less than all Series or Subseries of Subordinate Obligations Outstanding and Section 10.02 is not applicable, then this subsection (b) rather than subsection (a) above shall control and, subject to the terms and provisions contained in this Section 10.03(b) and not otherwise, the Holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations of all Series or Subseries of Subordinate Obligations Outstanding which are affected by such changes shall have the right from time to time to consent to any Supplemental Subordinate Indenture deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Subordinate Indenture and affecting only the Subordinate Obligations of such Series or Subseries; provided, however, that, unless approved in writing by the Holders of all the Subordinate Obligations of all the affected Series or Subseries 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, interest on or Accreted Value of any Outstanding Subordinate Obligations of such Series or Subseries or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations of such Series or Subseries or the rate of interest thereon. Nothing herein contained, however, shall be construed as making necessary the approval by Holders of the adoption of any Supplemental Subordinate Indenture as authorized in Section 10.02, including the granting, for the benefit of particular Series or Subseries of Subordinate Obligations, security in addition to the pledge of the Subordinate Net Revenues.

(c) If at any time the City shall desire to enter into any Supplemental Subordinate Indenture for any of the purposes of this Section 10.03, the City shall cause notice of the proposed execution of the Supplemental Subordinate Indenture to be given by Mail to all Holders or, under Section 10.03(b), all Holders of the affected Series or Subseries and a copy of such notice to any Credit Provider. Such notice shall briefly set forth the nature of the proposed Supplemental Subordinate Indenture and shall state that a copy thereof is on file at the office of the City for inspection by all Holders and it shall not be required that the Holders approve the final form of such Supplemental Subordinate Indenture but it shall be sufficient if such Holders approve the substance thereof.

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

(e) If Holders of not less than the percentage of Subordinate Obligations required by this Section 10.03 shall have consented to and approved the execution and delivery thereof as herein provided, no Holders shall have any right to object to the adoption of such Supplemental Subordinate 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 City from executing the same or from taking any action pursuant to the provisions thereof.

(f) Notwithstanding Subsections (c) through (e) above, the City may, at its discretion, execute and deliver such Supplemental Subordinate 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 Subordinate Indenture or the provisions of such Supplemental Subordinate Indenture subject to the consents of the Holders shall not become effective until such time as there has been delivered to the City (i) the required consents, in writing, of Holders and (ii) the opinion of Bond Counsel required by the last paragraph of Section 10.02. In the event the City decides to execute and deliver a Supplemental Subordinate Indenture in accordance with this subsection (f), the notice required in subsection (c) shall make reference to a final and executed Supplemental Subordinate Indenture as opposed to a proposed Supplemental Subordinate Indenture.

Section 10.04. Effect of Supplemental Subordinate Indenture. Upon execution and delivery of any Supplemental Subordinate Indenture pursuant to the provisions of this Article,

this Indenture or a Supplemental Subordinate Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture and a Supplemental Subordinate Indenture of the City, the Trustee, the Paying Agent, the Registrar and all Holders shall thereafter be determined, exercised and enforced under this Indenture and a Supplemental Subordinate Indenture, if applicable, subject in all respects to such modifications and amendments.

No Supplemental Subordinate 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 Subordinate Indentures To Be Part of This Indenture.

Any Supplemental Subordinate Indenture adopted in accordance with the provisions of this Article shall thereafter form a part of this Indenture or the Supplemental Subordinate Indenture which they supplement or amend, and all of the terms and conditions contained in any such Supplemental Subordinate 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 Indenture or the Supplemental Subordinate Indenture which they supplement or amend for any and all purposes.

Section 10.06. Amendments to the Senior Lien Contract. The Holders shall have no right to consent or reject any amendments to the Senior Lien Contract that require the consent of the holders of the Senior Lien Obligations, except for amendments to Section 4.02([]) of the Senior Lien Contract that require the consent of the holders of the Senior Lien Obligations.

ARTICLE XI

CREDIT PROVIDERS

If a Credit Facility is provided for a Series or Subseries of Subordinate Obligations or for specific Subordinate Obligations, the City may in the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued, provide any or all of the following rights to the Credit Provider as the City 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 of this Indenture to the same extent and in place of the Owners of the Subordinate Obligations which are secured by the Credit Facility and for such purposes the Credit Provider shall be deemed to be the Holder of such Subordinate Obligations;

(b) the right to act in place of the Owners of the Subordinate Obligations 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 Subordinate Indentures, which would otherwise require the consent of the Holders of not less than 51% in aggregate Principal Amount of the Subordinate Obligations, entered into pursuant to Section 10.03, except with respect to any amendments described in Sections 10.03(a)(i) through (iv) and 10.03(b)(i) or (ii) which consent of the actual Holders shall still be required, of this Indenture to the same extent and in place of the owners of the Subordinate Obligations

which are secured by the Credit Facility and for such purposes the Credit Provider shall be deemed to be the Holder of such Subordinate Obligations.

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 Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the City, the Trustee, the Paying Agent, other agents from time to time hereunder, the Holders and, to the limited extent provided by a Supplemental Subordinate Indenture, the Credit Providers, any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the City, the Trustee, the Paying Agent, such other agents, the Holders and, to the limited extent provided in the applicable Supplemental Subordinate Indenture, the Credit Providers.

Section 12.02. Severability. In case any one or more of the provisions of this Indenture, or of any Subordinate Obligations 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 Indenture or of Subordinate Obligations, and this Indenture and any Subordinate Obligations 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 City Members and Officials; Limited Liability of City to Holders. No covenant or agreement contained in the Subordinate Obligations or in this Indenture shall be deemed to be the covenant or agreement of any present or future City member, official, officer, agent or employee of the City or the Enterprise, in their individual capacity, and neither the members of the City Council, the officers and employees of the City, nor any person executing the Subordinate Obligations shall be liable personally on the Subordinate Obligations 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 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 Subordinate Obligations. Proof of the execution of any such instrument and of the ownership of Subordinate Obligations shall be sufficient for any purpose of this 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 Subordinate Obligations 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 Subordinate Obligations or any Subordinate Obligations issued in lieu thereof in respect of anything done by the Trustee or the City 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 Indenture and of all Subordinate Obligations issued hereunder; provided, however, that the administration of the trusts imposed upon the Trustee by this 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 principal corporate trust office.

Notices. Except as otherwise provided in this Indenture, all notices, certificates, requests, requisitions or other communications by the City, the Trustee, the Paying Agent, the Registrar, other agents or a Credit Provider, pursuant to this 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: City of Long Beach, 333 West Ocean Boulevard, 6th Floor, Long Beach, California, 90802, Attention: City Treasurer, by delivery or by mail; if to the Trustee, to BNY Western Trust Company, 700 South Flower Street, Suite 500, Los Angeles, California, 90017; Attention: Corporate Trust Department, Control No. CA004340; if to a Paying Agent, or another agent, to such address as is designated in writing by it to the Trustee and the City. 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 12.06. 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 Indenture, shall not be a Business Day, such payment may, unless otherwise provided in this Indenture or, with respect to any Series or Subseries of Subordinate Obligations or portion of Series or Subseries of Subordinate Obligations, provided in a Supplemental Subordinate Indenture under which such Subordinate Obligations 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 Indenture.

Section 12.07. Counterparts. This Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 12.08. Repeal of Inconsistent Resolutions. All resolutions of the City Council, or parts of resolutions, inconsistent with any Supplemental Subordinate Indenture or this Indenture are hereby repealed to the extent of such inconsistency.

[End of Master Subordinate Trust Indenture]

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

THE CITY OF LONG BEACH

By _____
Name _____
Title _____

Attest:

By _____
City Clerk

Approved as to form:

ROBERT E. SHANNON, City Attorney

By _____
Assistant City Attorney

BNY WESTERN TRUST COMPANY, as
Trustee

By _____
Authorized Officer

[Signature page to Master Subordinate Trust Indenture]

FIRST SUPPLEMENTAL SUBORDINATE TRUST INDENTURE

between

CITY OF LONG BEACH

and

**BNY WESTERN TRUST COMPANY,
as Trustee**

Dated as of November 1, 2004

Relating to

**\$15,000,000
City of Long Beach, California
Subordinate Airport Revenue Commercial Paper Notes
Series A (Non-AMT)
Series B (AMT)
Series C (Taxable)**

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FIRST SUPPLEMENTAL SUBORDINATE TRUST INDENTURE

THIS FIRST SUPPLEMENTAL SUBORDINATE TRUST INDENTURE (this “First Supplemental Subordinate Indenture”), dated as of November 1, 2004, is made by and between **CITY OF LONG BEACH**, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California (the “City”) and **BNY WESTERN TRUST COMPANY**, as trustee (the “Trustee”), and supplements that Master Subordinate Trust Indenture dated as of November 1, 2004 which is also by and between the City and the Trustee (the “Master Subordinate Indenture”).

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

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

WHEREAS, the City now, for the purpose of providing financing of certain of its projects, by execution and delivery of this First Supplemental Subordinate Indenture and in compliance with the provisions of the Master Subordinate Indenture, sets forth the terms of the City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series A (Non-AMT) (the “Series A Notes”), the City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series B (AMT) (the “Series B Notes”) and the City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series C (Taxable) (the “Series C Notes,” and together with the Series A Notes and the Series B Notes, the “Commercial Paper Notes”), in an aggregate authorized principal amount of \$15,000,000 and provides for the deposit and use of the proceeds of the Commercial Paper Notes and makes other provisions relating to the Commercial Paper Notes.

ARTICLE I

DEFINITIONS; INTERPRETATIONS

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

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

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

“*AMT Project*” means (a) any purchase of land, (b) any purchase of equipment, (c) any construction, re-construction, development, expansion and/or modification of the Enterprise and/or (d) the refinancing of any indebtedness issued or incurred to finance any of the foregoing, in each case, which satisfies the requirements of Section 142 of the Code and of the Tax Certificate for an AMT Project.

“*Authorized Amount*” means for purposes of this First Supplemental Subordinate Indenture the aggregate principal amount of \$15,000,000.

“*Available Authorized Amount*” means initially \$15,000,000 and thereafter Available Authorized Amount as modified by a Change in Available Authorized Amount Certificate.

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

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

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

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

“*Certificate*,” “*Statement*,” “*Request*,” “*Requisition*” and “*Order*” of the City means, respectively, a written certificate, statement, request, requisition or order signed by the Authorized City Representative or any other person authorized by an Authorized City Representative to execute such instruments. Any such instrument and supporting opinions or

representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.04, each such instrument shall include the statements provided for in Section 1.04.

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

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

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

“*Commercial Paper Project*” means a Non-AMT Project, an AMT Project or a Taxable Project.

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

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

“*Dealer Agreement*” means initially the Commercial Paper Dealer Agreement, dated as of November 1, 2004, between the City and the Dealer, and any and all modifications, alterations, amendments and supplements thereto, or any other Dealer Agreement entered into by the City and a Dealer with respect to the Commercial Paper Notes.

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

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

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

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

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

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

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

“First Supplemental Subordinate Indenture” means this First Supplemental Subordinate Trust Indenture, dated as of November 1, 2004, by and between the City and the Trustee and which sets forth the terms of the Commercial Paper Notes.

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

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

“Issuing and Paying Agent Agreement” means initially the Issuing and Paying Agent Agreement, dated as of November 1, 2004, by and between the City and the Issuing and Paying Agent, and any and all modifications, alterations, amendments and supplements thereto, or any other Issuing and Paying Agent Agreement entered into by the City and the Issuing and Paying Agent with respect to the Commercial Paper Notes.

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

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

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

“Master Subordinate Indenture” means the Master Subordinate Trust Indenture, dated as of November 1, 2004, by and between the City and the Trustee, under which the Commercial Paper Notes are authorized and secured.

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

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

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

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

“*Non-AMT 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 Non-AMT Project.

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

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

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

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

“*Payment Obligations*” means the Repayment Obligations owed to the Bank under the Reimbursement Agreement, including, but not limited to, the “Obligations” (as such term is defined in the Reimbursement Agreement).

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

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

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

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

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

“*Reimbursement Agreement*” means the Reimbursement Agreement, dated as of November 1, 2004, between the City and the Bank, and any and all modifications, alterations, amendments and supplements thereto and any similar document entered into with respect to a subsequent Letter of Credit.

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

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

“*Series A Notes*” means Commercial Paper Notes (a) the interest on which is to be excluded from gross income for federal income tax purposes and (b) which are not subject to the alternative minimum tax under the Code.

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

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

“*Series B Notes*” means Commercial Paper Notes (a) the interest on which is to be excluded from gross income for federal income tax purposes and (b) which are subject to the alternative minimum tax under the Code.

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

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

“*Series C Project*” means any undertaking, facility or item which is listed on Exhibit E 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 C Notes.

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

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

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

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

“*Taxable Project*” means any project which the City is lawfully permitted to undertake that is not a Non-AMT Project or an AMT Project.

“*Tax-Exempt Notes*” means the Series A Notes and/or the Series B Notes.

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

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

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

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

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

certificate or opinion of or representation by an officer of the City, unless such counsel, accountant or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the City, or the same counsel or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this First Supplemental Subordinate Indenture, but different officers, staff members, counsel, accountants or independent consultants may certify to different matters, respectively.

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

ARTICLE II

THE COMMERCIAL PAPER NOTES; BANK NOTE

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

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

(b) The City hereby authorizes the issuance of its "City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series A (Non-AMT)," "City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series B (AMT)" and "City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series C (Taxable)" subject to the provisions of this Section 2.01 and as hereinafter provided. The Series A Notes shall be issued from time to time as provided herein to finance the Project Costs of Series A Projects, and to refinance, renew or refund Series A Notes (or Series B and C Notes, provided the City receives an Opinion of Bond Counsel prior to such issuance) issued hereunder or Advances or Drawings made pursuant to a Credit Facility for the Series A Notes. The Series B Notes shall be issued from time to time as provided herein to finance the Project Costs of Series B Projects, and to refinance, renew or refund Series B Notes and/or Series A Notes (or Series C Notes, provided the City receives an Opinion of Bond Counsel prior to such issuance) issued hereunder or Advances or Drawings made pursuant to a Credit Facility for the Series A Notes and/or the Series B Notes. The Series C Notes shall be issued from time to time as provided herein to finance the Project Costs of Series C Projects, and to refinance, renew or refund Commercial Paper Notes issued hereunder or Advances or Drawings made pursuant to a Credit Facility for the Commercial Paper Notes. Such authorization specifically includes the authorization to issue and reissue Commercial Paper Notes for such purposes. Proceeds of Tax-Exempt Notes issued to refinance other Commercial Paper Notes shall be used to pay or reimburse the Bank for principal Advances used to pay maturing principal and shall only

be used to pay or reimburse the Bank for Advances used to pay interest due on such maturing Commercial Paper Notes subject to the terms and provisions of the Tax Certificate. The aggregate principal amount of Commercial Paper Notes that may be Outstanding at any one time hereunder shall not at any time exceed the lesser of (a) the Available Authorized Amount, and (b) the Stated Amount less the aggregate amount of interest due at the maturity of all Outstanding Commercial Paper Notes. The Available Authorized Amount may be modified upon delivery to the Issuing and Paying Agent of a Change in Available Authorized Amount Certificate, provided, however, that in no event shall the Available Authorized Amount exceed the Authorized Amount. Notwithstanding anything herein to the contrary, the Commercial Paper Notes shall not bear interest in excess of the Maximum Interest Rate.

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

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

(e) Notwithstanding any other provisions of this Section, the Series C 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 C Notes are issued, and interest, if any, payable on Series C Notes shall accrue from their respective dates, and be payable at maturity, and shall be calculated on the basis of a 360-day year and actual number of days elapsed.

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

(g) Within each Series, the Commercial Paper Notes shall be numbered consecutively from No. 1 upward. The Issuing and Paying Agent may make additional provision for numbering, including additional subseries, prefixes and suffixes, as it may

deem appropriate. Each Series of Notes authorized hereunder may be issued from time to time in separate subseries as determined by the City for each Dealer.

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

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

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

Section 2.02. Payment. The City, as provided in Section 5.01 of the Master Subordinate Indenture, covenants and agrees that it will duly and punctually pay or cause to be paid from the Subordinate Net Revenues 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 City will make all payments of interest directly to the Trustee in immediately available funds on or prior to 1:00 p.m., New York City time, and, to the extent Advances made by a Credit Provider for the purpose of paying principal of maturing Commercial Paper Notes together with Note Proceeds from Commercial Paper Notes issued on such date are insufficient to pay principal of maturing Commercial Paper Notes, all principal payments directly to the Issuing and Paying Agent, as agent of the Trustee, in immediately available funds on or prior to [2:00] 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 City to reimburse the Credit Provider. The principal of and the interest on the Commercial Paper Notes shall be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts. Except as otherwise provided in Section 2.09, the principal of and the interest on the Commercial Paper Notes shall be payable at the Principal Office of the Issuing and Paying Agent by [3:00] p.m. New York City time on any Business Day upon which such Commercial Paper Notes have

become due and payable provided that such Commercial Paper Notes are presented and surrendered on a timely basis. Except as otherwise provided in Section 2.09, upon presentation of such a Commercial Paper Note to the Issuing and Paying Agent no later than 10:00 a.m. (New York City time) on a Business Day, payment for such Commercial Paper Note shall be made by the Issuing and Paying Agent in immediately available funds by [3:00] p.m. (New York City time) on such Business Day. If a Commercial Paper Note is presented for payment after 10:00 a.m. (New York City time) on a Business Day, payment therefor shall be made by the Issuing and Paying Agent by [3:00] p.m. (New York City time) on the next succeeding Business Day without the accrual of additional interest thereon.

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

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

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

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

Section 2.05. Forms of Commercial Paper Notes and Authentication Certificate. The definitive Series A Notes, Series B Notes and Series C Notes and the Certificate of Authentication endorsed thereon shall be substantially in the forms set forth in Exhibit A-1 and A-2 attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as the officer executing such Commercial Paper Notes shall deem appropriate in order to accomplish the purpose of the transaction authorized by the Master Subordinate Indenture and this First Supplemental Subordinate Indenture, the execution thereof to be conclusive evidence of such approval; provided, however, that such changes shall be within the scope of the transactions authorized by the Master Subordinate Indenture and this First Supplemental

Subordinate Indenture. Notwithstanding any other provisions of this First Supplemental Subordinate Indenture, the City may deliver the Commercial Paper Notes in the form of a Master Note representing the Commercial Paper Notes of any Series to be issued from time to time, each maturing no later than the date which is five (5) days prior to the Expiration Date. Each Master Note may be replaced by a new Master Note having a later maturity date so long as the maturity date thereof does not extend beyond the fifth (5th) day prior to the Expiration Date, as the same may be extended from time to time. Each Master Note shall evidence indebtedness of the City as set forth in the Advices. Each Advice shall have the limitations on Notes set forth in Sections 2.01 and 2.07. The aggregate indebtedness under the Master Notes shall at all times equal or be less than the Stated Amount. References herein to Commercial Paper Notes when a Master Note has been issued therefor shall refer to the indebtedness under the Master Note or the Advices issued with respect thereto.

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

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

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

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

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

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

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

(a) Except as provided in subsection (f) of this Section 2.07 in the case of issuance of book-entry Commercial Paper Notes under a Master Note as provided in Section 2.09, Commercial Paper Notes shall be executed at any time and from time to time by the City and delivered to the Issuing and Paying Agent, who shall hold such Commercial Paper Notes unauthenticated in safekeeping for the City. Subject to the provisions of Section 2.01 hereof and paragraphs (b), (c) and (d) of this Section 2.07 and Section 2.09, at any time and from time to time prior to the Termination Date, Commercial Paper Notes shall be manually authenticated and delivered by the Issuing and Paying Agent for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of Instructions, no later than 12:30 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 subsection (f) of this Section 2.07 in the case of issuance of book-entry Commercial Paper Notes under a Master Note as provided in Section 2.09, upon receipt of such Instructions (which may be transmitted by mail, telecopy, telefax or other electronic communications method, or by telephone, promptly confirmed in writing), the Issuing and Paying Agent shall, by 2:15 p.m. (New York City time) on such day, complete each Series A Note, each Series B Note or each Series C Note then to be delivered as to amount, date, maturity date, interest rate and interest amount, if any, specified in such Instructions, and purchase price, and authenticate each such Commercial Paper Note and deliver it to the Dealer upon receipt of payment therefor; provided, however, that no such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if (i) such delivery would result in the aggregate principal amount of Commercial Paper Notes Outstanding being in excess of the Available Authorized Amount and (ii) if such delivery would result in the aggregate principal amount of Outstanding Commercial Paper Notes, plus the aggregate amount of interest due on all Outstanding Commercial Paper Notes at the maturity thereof, being in excess

of the Stated Amount. No such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if (A) it shall have received notice from an Authorized City Representative directing the Issuing and Paying Agent to cease authenticating and delivering Commercial Paper Notes until such time as such direction is withdrawn by similar notice, (B) it shall have actual knowledge that a Specified Event of Default shall have occurred and be continuing, (C) it shall have received notice from Bond Counsel that its opinion regarding the exclusion of interest on the applicable Commercial Paper Notes from the gross income for federal tax purposes of the holders thereof is being withdrawn, (D) the maturity date of such Commercial Paper Notes would extend beyond the Termination Date or beyond 270 days from the respective dates of authentication and issuance of such Commercial Paper Notes, (E) the Trustee and the Issuing and Paying Agent shall have received a Stop Issuance Notice from the Bank stating that a Reimbursement Agreement Event of Default exists and is continuing and instructing that no additional Commercial Paper Notes be issued until further written notice from the Bank, or (F) the Trustee, pursuant to Section 3.05(g), (h) and (i), has not confirmed to the Issuing and Paying Agent and the Bank that it holds in the appropriate Credit Facility Account for the sole benefit and use of the Bank an amount equal to all Drawings. The Trustee shall give such confirmation to the Issuing and Paying Agent promptly after the occurrence of such events by telefax, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing. In addition, the Issuing and Paying Agent shall, by 2:00 p.m. New York City time on such day, transmit by telefax, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing, to the City, the Trustee and the Credit Provider the contents of the Instructions. If Instructions are received after 12:30 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 2.07, in the event an unreimbursed Drawing is outstanding, the Issuing and Paying Agent may authenticate and deliver a principal amount of Commercial Paper Notes exceeding the Stated Amount if, upon receipt of the proceeds of such Commercial Paper Notes, the Trustee shall have sufficient funds immediately available to reimburse the Bank for an unreimbursed Drawing equal to such principal amount and the Issuing and Paying Agent shall have received written confirmation from the Bank that upon such reimbursement, the Letter of Credit will be reinstated to an amount sufficient to pay when due all of the principal and interest on such Commercial Paper Notes and any other Commercial Paper Notes then Outstanding. Upon receipt of the proceeds of such Commercial Paper Notes, the Trustee shall promptly notify the Bank that it is holding such proceeds in trust for, and shall be immediately wiring the same to, the Bank.

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

A copy of each Commercial Paper Note authenticated by the Issuing and Paying Agent shall be promptly mailed by U.S. mail, first class, postage prepaid, to the City and

the Trustee by the Issuing and Paying Agent. The Issuing and Paying Agent shall furnish the City with such additional information with respect to the carrying out of its duties hereunder as the City from time to time shall reasonably request.

(b) At any time after the execution of the Master Subordinate Indenture and this First Supplemental Subordinate Indenture, the City may determine to issue Commercial Paper Notes authorized by the Master Subordinate Indenture and this First Supplemental Subordinate Indenture in accordance with telephonic, computer or written delivery by a Designated Representative of a Notice of Issuance of Commercial Paper Notes to the Dealer and the Credit Provider. Such Notice of Issuance of Commercial Paper Notes shall be in substantially the form set forth herein as Exhibit G. 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 Subordinate Indenture and as a condition to such initial issuance, the Issuing and Paying Agent and the City shall be notified by the Trustee that the Trustee has received:

- (i) A fully executed counterpart of the Reimbursement Agreement;
- (ii) The executed Letter of Credit; and
- (iii) The opinions of counsel to the Bank, addressed to the City, the Issuing and Paying Agent, and the Trustee, to the effect that the Letter of Credit is a valid and binding obligation of the Bank, enforceable in accordance with its terms.

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

delivery of Commercial Paper Notes hereunder shall be subject to the rules of the New York Clearing House in effect at the time of such delivery and, in accordance therewith, Commercial Paper Notes are to be delivered by 2:15 p.m. (New York City time).

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

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

Section 2.09. Master Note; Registration of Notes.

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

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

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

(iii) The Issuing and Paying Agent may treat and consider the person in whose name each Commercial Paper Note is registered as the absolute owner of such Commercial Paper Note for the purpose of payment of principal and interest on such Commercial Paper Note, for the purpose of giving notices and other matters with respect to such Commercial Paper Note, for the purpose of registering transfers of ownership of such Commercial Paper Note, and for all other purposes whatsoever. The Issuing and Paying Agent shall pay the principal

of and the interest on the Commercial Paper Notes only to the respective Owners of the Commercial Paper Notes or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest on the Commercial Paper Notes to the extent of the sum or sums so paid. No person other than the Owner of a Commercial Paper Note shall receive a Commercial Paper Note evidencing the obligation of the City to make payments of principal and interest pursuant to this First Supplemental Subordinate Indenture.

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

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

(i) In the event that either (A) the Depository determines not to continue to act as Depository for the Commercial Paper Notes, or (B) the City determines to terminate the Depository as such, then the City shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the City and the Issuing and Paying Agent in the issuance of replacement Commercial Paper Notes by providing the Issuing and Paying Agent with a list showing the interests of the Depository System Participants in the Commercial Paper Notes, and by surrendering such Commercial Paper Notes registered in the name of the Nominee to the Issuing and Paying Agent on or before the date such replacement Commercial Paper Notes are to be issued. The Depository by accepting delivery of such Commercial Paper Notes, agrees to be bound by the provisions of this subsection 2.09(c). If, prior to the termination of the Depository acting as such, the City fails to identify another

qualified securities depository to replace the Depository, then the Commercial Paper Notes shall no longer be required to be re-registered in the name of the Nominee, but shall be re-registered in whatever name or names the Owners of the Commercial Paper Notes transferring or exchanging Commercial Paper Notes shall designate, in accordance with the provisions of this Section 2.09.

(ii) In the event the City determines that it is in the best interests of the beneficial owners of the Commercial Paper Notes that they be able to obtain certificated Commercial Paper Notes, the City may notify the Depository System Participants of the availability of such certificated Commercial Paper Notes through the Depository. In such event, the City will issue and deliver to the Issuing and Paying Agent and the Issuing and Paying Agent will transfer and exchange Commercial Paper Notes as provided in this Article II and as required by the Depository and others in appropriate amounts, and whenever the Depository in taking appropriate action (A) to make available one or more separate certificates evidencing the Series A Notes, the Series B Notes or the Series C 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, the Series B Notes or the Series C Notes, as the case may be, all at the City's expense.

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

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

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

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

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

ARTICLE III

APPLICATION OF COMMERCIAL PAPER NOTE PROCEEDS

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

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

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

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

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

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

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

(b) Unless interest is otherwise permitted to be financed from the proceeds of Commercial Paper Notes by the terms and provisions of the Tax Certificate, on or before 1:00 p.m., New York City time, on the Maturity Date of each Series B Note, the City shall deposit with 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 2:00 p.m., New York City time, on the Maturity Date of each Series B Note, the City shall deposit with the Issuing and Paying Agent, as agent for the Trustee, an amount sufficient, together with all other amounts available to the Issuing and Paying Agent pursuant to Section 3.04(e) and (h) herein, to pay principal due on all Series B Notes on

such Maturity Date. The Trustee shall notify the City on or before 5:00 p.m., New York City time, on the day prior to such Maturity Date, the total amount due on such Maturity Date.

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

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

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

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

(g) Amounts deposited into the Series A Credit Facility Account shall be used, on each day that an Advance is received by the Issuing and Paying Agent and deposited into the appropriate Program Subaccount of the Series A Debt Service

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

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

(i) Amounts deposited into the Series C 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 C Debt Service Account, by the Trustee to reimburse the Bank for the amount of such Advance immediately upon receipt of the notice described in Section 3.04(f) herein; provided, however, if, on any Maturity Date of the Series C 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 C Notes on such date, amounts in the Series C Credit Facility Account shall be transferred by the Trustee to the Issuing and Paying Agent to be used to make the balance of such payment. Prior to transferring such money to the Bank, the Trustee shall give written notice to the Bank and the Issuing and Paying Agent of its receipt of sufficient moneys to reimburse the Bank for the Advances.

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

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

Section 3.05. Application of Moneys in the Construction Fund.

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

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

(c) If, at any time, the City determines that (i) no additional Commercial Paper Notes shall be issued under this First Supplemental Subordinate Indenture to finance Commercial Paper Projects and (ii) that all Commercial Paper Projects which, prior to such time, have been financed and completed, then any amount remaining in any Series Project Account or Program Subaccount within the Construction Fund that are not necessary for the payment of Project Costs, shall first be disbursed by the Trustee to any Credit Provider to the extent necessary to reimburse such Credit Provider for any Advances or pay such Credit Provider for any other outstanding Payment Obligations, and then may, at the determination of the City, be disbursed by the Trustee upon written requisition of an Authorized City Representative for any other lawful purpose designated in such requisition and for which purpose such proceeds may be used under the Act. As a condition to the disbursement of funds to the City under this Section 3.05(c), there shall be delivered to the Trustee with the requisition an Opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the Act and that such use shall not result in the inclusion of interest on any Series A Notes or Series B Notes in gross income of the recipient thereof for federal income tax purposes (subject to the inclusion of any exception contained in the opinion delivered upon the original issuance of such Series B Notes, including, but not limited to, interest payable to a holder who is a “substantial user” or “related party” within the meaning of Section 147(a) of the Code).

(d) The City may from time to time amend the list of Commercial Paper Projects included in Exhibits C, D and/or E hereto by delivering to the Trustee (i) a new form of Exhibit C if Exhibit C is then being revised, a new form of Exhibit D if Exhibit D is then being revised and a new form of Exhibit E if Exhibit E is then being revised clearly indicating those items which are being added as Commercial Paper Projects; (ii) with respect to amendments of Exhibit C, an Opinion of Bond Counsel to the effect that financing of the items listed on Exhibit C, as amended, in addition to or in substitution for those items previously listed on Exhibit C will not cause interest on the Series A Notes to be included in the gross income of the recipient thereof, will not cause interest on the Series A Notes to be an item of tax preference for purposes of calculating the alternative minimum tax for purposes of the Code and the financing of such items is permitted under the Act and has been authorized by the City; and (iii) with respect to amendments of Exhibit D, an Opinion of Bond Counsel to the effect that financing of the items listed on Exhibit D, as amended, in addition to or in substitution for those items previously listed on Exhibit D will not cause interest on the Series B Notes to be included in the gross income of the recipient thereof (subject to the inclusion of any exception contained in the opinion delivered upon the original issuance of such Series B Notes, including, but not limited to, interest payable to a holder who is a “substantial user” or “related party” within the meaning of Section 147(a) of the Code) and the financing of such items is permitted under the Act and has been authorized by the City.

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

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

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

Section 3.07. Investment of Moneys in Funds and Accounts. Except for the Debt Service Fund, all moneys in any of the funds, subfunds, Series Accounts and Program Subaccounts held by the Trustee and the Issuing and Paying Agent and established pursuant to

this First Supplemental Subordinate Indenture shall be invested solely in Permitted Investments maturing or available not later than the date on which it is estimated that such moneys will be required.

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

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

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

ARTICLE IV

PLEDGE AND PAYMENT

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

The City hereby pledges, places a lien upon and assigns Subordinate Net Revenues to secure the payment of the principal of and interest on the Commercial Paper Notes and any Payment Obligations in accordance with their terms. The Subordinate Net Revenues constitute a

trust fund for the security and payment of the Payment Obligations, the interest on and principal of the Commercial Paper Notes and other parity obligations, and the holders of the Commercial Paper Notes and the holders from time to time of the other Subordinate Obligations of the City and any other future parity Subordinate Obligations shall share *pari passu* without priority or distinction of one over the other in the Subordinate Net Revenues.

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

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

ARTICLE V

ISSUING AND PAYING AGENT; DEALER

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

The Issuing and Paying Agent may at any time resign and be discharged of the duties and obligations created by this First Supplemental Subordinate Indenture by giving at least 30 days'

written notice to the Credit Provider, the Trustee, the Dealer and the City. The Issuing and Paying Agent may be removed at any time by an instrument signed by an Authorized City Representative and filed with the Issuing and Paying Agent, the Credit Provider, the Dealer and the Trustee. No such resignation or removal shall become effective, however, until a successor Issuing and Paying Agent has been selected and assumed the duties of the Issuing and Paying Agent hereunder. So long as the Letter of Credit is in effect, no appointment of a successor Issuing and Paying Agent shall become effective without the prior written consent of the Bank, which consent shall not be unreasonably withheld.

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

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

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

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

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

ARTICLE VI

TAX COVENANTS

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

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

Section 6.02. Preservation of Tax Exemption.

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

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

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

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

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

In the event Bond Counsel has informed the City that it is necessary to restrict or limit the yield on the investment of money held by the Trustee or the Issuing and Paying Agent or to use such money in certain manners, in order to avoid the Tax-Exempt 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 Tax-Exempt Notes at such time, the City shall issue to the Trustee or the Issuing and Paying Agent a certificate to such effect together with appropriate instructions, in which event the Trustee or the Issuing and Paying Agent, as appropriate, shall take such action as it is directed to take to use such money in accordance with such certificate and instructions, irrespective of whether the Trustee or the Issuing and Paying Agent shares such opinion.

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

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

ARTICLE VII

MISCELLANEOUS

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

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

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

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

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

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

Section 7.02. Rights of Bank. As provided in Article XI of the Master Subordinate Indenture, the Bank is hereby granted the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings provided in Article VIII of the Master Subordinate Indenture to the same extent and in place of the Owners of the Commercial Paper Notes, and, for such purposes, the Bank shall be deemed the exclusive Owner of the Commercial Paper Notes, 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 Subordinate Indenture. The City may, from time to time and at any time, execute and deliver Supplemental Subordinate Indentures supplementing and/or amending this First Supplemental Subordinate Indenture in the manner set forth in Article X of the Master Subordinate Indenture.

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

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

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

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

Section 7.08. Notices.

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

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

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

Trustee and Issuing and Paying Agent: BNY Western Trust Company
700 South Flower Street
Suite 500
Los Angeles, California 90017
Attention: Corporate Trust Department;
Control No. CA004340
Telephone No.: (213) 630-6246
Facsimile No.: (213) 630-6215

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

Bank: Bank One, NA
201 N. Central Avenue
Mail Code AZ1-1178
Phoenix, Arizona 85004
Attention: Mark A. Jensen
Telephone No.: (602)221-2179
Facsimile No.: (602)221-1682

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

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

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

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

Section 7.12. Payments or Actions Occurring on Non-Business Days. If a payment date is not a Business Day at the place of payment or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day or such action may be taken on the next Business Day with the same effect as if payment were made on the action taken on the stated date, and no interest shall accrue for the intervening period.

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

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

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

[End of First Supplemental Subordinate Trust Indenture]

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

CITY OF LONG BEACH

By _____
Name _____
Title _____

Attest:

By _____
City Clerk

Approved as to form:

ROBERT E. SHANNON, City Attorney

By _____
Assistant City Attorney

BNY WESTERN TRUST COMPANY, as Trustee

By _____
Authorized Officer

[Signature page to First Supplemental Subordinate Trust Indenture]

EXHIBIT A-1

FORM OF SERIES A NOTE AND SERIES B NOTE

CITY OF LONG BEACH, CALIFORNIA
SUBORDINATE AIRPORT REVENUE COMMERCIAL PAPER NOTE
[SERIES A-*] (Non-AMT)
[SERIES B-*] (AMT)

NOTE NO. _____ PRINCIPAL AMOUNT: \$ _____

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

PRINCIPAL AMOUNT: _____ DOLLARS

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

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

The City has entered into a Master Subordinate Trust Indenture, dated as of November 1, 2004 (the “Master Subordinate Trust Indenture”) with BNY Western Trust Company, as trustee (the “Trustee”). Such Master Subordinate Trust Indenture provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Subordinate Trust Indenture and supplemental indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as “Subordinate

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

This Note is one of a duly authorized issue of commercial paper notes of the City (the “Commercial Paper Notes”), all of which have been issued pursuant to Article XVII of the City Charter (the “Charter”) and in pursuance of the laws and Constitution of the State of California and Resolution No. [] of the City Council adopted on October 19, 2004 (the “Resolution”).

This Note is part of a program of Commercial Paper Notes of the City issued under the Master Subordinate Trust Indenture and the First Supplemental Subordinate Trust Indenture, dated as of November 1, 2004 (the “First Supplemental Subordinate Indenture,” and together with the Master Subordinate Trust Indenture, the “Indenture”) by and between the City and the Trustee. The program of which this Note is a part is authorized in the aggregate principal amount not to exceed \$15,000,000 outstanding at any one time and designated as City of Long Beach Subordinate Airport Revenue Commercial Paper Notes, Series A (Non-AMT), Commercial Paper Notes, Series B (AMT) and Commercial Paper Notes, Series C (Taxable) (collectively, the “Notes”). The Notes will, at the time of issuance, be designated as Series A, Series B or Series C. The Series A Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as “Series A Projects,” Series B Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as “Series B Projects” and Series C Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as “Series C Projects.” The Series A Notes, the Series B Notes and the Series C Notes are equally and ratably secured under the Master Subordinate Trust Indenture and the First Supplemental Subordinate Indenture. The Master Subordinate Trust Indenture also provides for the incurrence of additional debt, including the issuance of additional Subordinate Obligations, to be secured under the Master Subordinate Trust Indenture equally and ratably with the Commercial Paper Notes.

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

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

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

and interest on this Note and the series of which it is a part as provided in the Master Subordinate Trust Indenture and the First Supplemental Subordinate Indenture.

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

CITY OF LONG BEACH

By _____
City Manager

Attest:

By _____
City Clerk

CERTIFICATE OF AUTHENTICATION

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

BNY WESTERN TRUST COMPANY, as Issuing
and Paying Agent

By _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

I or we assign and transfer to

Insert social security or other
identifying number of assignee

[_____]

[_____]

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

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

Dated: _____

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

Signature guaranteed: _____

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

EXHIBIT A-2
FORM OF SERIES C NOTE
CITY OF LONG BEACH, CALIFORNIA
SUBORDINATE AIRPORT REVENUE COMMERCIAL PAPER NOTE
[SERIES C-*]
(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 Subordinate Net Revenues (as described below) derived by the City from the operations of the Enterprise (as described in the Master Subordinate Trust Indenture) and certain funds and accounts. None of the properties of the Enterprise are subject to any mortgage or other lien for the benefit of the owner of this Note, and neither the full faith and credit nor the taxing power of the City, the State of California (the “State”) or any political subdivision or agency of the State is pledged to the payment of the principal of, or interest on this Note. Neither this Note nor the obligation to pay principal of or interest thereon constitutes a debt of the City, the State or any of its political subdivisions within the meaning of any Constitutional limitation on indebtedness.

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

The City has entered into a Master Subordinate Trust Indenture, dated as of November 1, 2004 (the “Master Subordinate Trust Indenture”) with BNY Western Trust Company, as trustee (the “Trustee”). Such Master Subordinate Trust Indenture provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Subordinate Trust Indenture and supplemental indentures. All bonds and other

indebtedness issued thereunder and secured thereby are collectively referred to herein as "Subordinate Obligations." This Note constitutes a "Subordinate Obligation" within the meaning of the Master Subordinate Trust Indenture and is secured in the manner provided in the Master Subordinate Trust Indenture.

This Note is one of a duly authorized issue of commercial paper notes of the City (the "Commercial Paper Notes"), all of which have been issued pursuant to Article XVII of the City Charter (the "Charter") and in pursuance of the laws and Constitution of the State of California and Resolution No. [] of the City Council adopted on October 19, 2004 (the "Resolution").

This Note is part of a program of Commercial Paper Notes of the City issued under the Master Subordinate Trust Indenture and the First Supplemental Subordinate Trust Indenture, dated as of November 1, 2004 (the "First Supplemental Subordinate Indenture," and together with the Master Subordinate Trust Indenture, the "Indenture") by and between the City and the Trustee. The program of which this Note is a part is authorized in the aggregate principal amount not to exceed \$15,000,000 outstanding at any one time and designated as City of Long Beach Subordinate Airport Revenue Commercial Paper Notes, Series A (Non-AMT), Commercial Paper Notes, Series B (AMT) and Commercial Paper Notes, Series C (Taxable) (collectively, the "Notes"). The Notes will, at the time of issuance, be designated as Series A, Series B or Series C. The Series A Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as "Series A Projects," Series B Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as "Series B Projects" and Series C Notes will be issued to finance or refinance projects defined in the First Supplemental Subordinate Indenture as "Series C Projects." The Series A Notes, the Series B Notes and the Series C Notes are equally and ratably secured under the Master Subordinate Trust Indenture and the First Supplemental Subordinate Indenture. The Master Subordinate Trust Indenture also provides for the incurrence of additional debt, including the issuance of additional Subordinate Obligations, to be secured under the Master Subordinate Trust Indenture equally and ratably with the Commercial Paper Notes.

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

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

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

and interest on this Note and the series of which it is a part as provided in the Master Subordinate Trust Indenture and the First Supplemental Subordinate Indenture.

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

CITY OF LONG BEACH

By _____
City Manager

Attest:

By _____
City Clerk

CERTIFICATE OF AUTHENTICATION

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

BNY WESTERN TRUST COMPANY, as Issuing
and Paying Agent

By _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

I or we assign and transfer to

Insert social security or other
identifying number of assignee

[_____]

[_____]

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

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

Dated: _____

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

Signature guaranteed: _____

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

EXHIBIT B

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

**CITY OF LONG BEACH
SUBORDINATE AIRPORT REVENUE COMMERCIAL PAPER NOTES**

The undersigned, on behalf of the City of Long Beach (the "City") pursuant to that certain Master Subordinate Trust Indenture, dated as of November 1, 2004 (the "Master Indenture") by and between the City and BNY Western Trust Company, as trustee (the "Trustee"), as supplemented by the First Supplemental Subordinate Trust Indenture, dated as of November 1, 2004 (the "First Supplemental" and together with the Master Indenture, the "Indenture") by and between the City and the Trustee, hereby certifies as follows:

(a) Pursuant to Resolution No. [] adopted by the City Council on October 19, 2004, the City is authorized to issue from time to time Commercial Paper Notes in an aggregated amount not to exceed the Authorized Amount.

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

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

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

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

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

CITY OF LONG BEACH

By _____
Designated Representative

EXHIBIT C
LIST OF SERIES A PROJECTS

EXHIBIT D
LIST OF SERIES B PROJECTS

EXHIBIT E
LIST OF SERIES C PROJECTS

EXHIBIT F

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

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

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

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: Not to exceed Fifteen Million Dollars (\$15,000,000) Outstanding

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

The City, for value received, hereby promises to pay, but solely from the revenues, income and other moneys hereinafter mentioned, to the registered owner hereof (herein called “the Holder”), the Principal Amount, together with interest on said Principal Amount, if any, on the Maturity Date of each obligation identified on the records of the City (the “Underlying Records”) as being evidenced by this Master Note, which Underlying Records are maintained by BNY Western Trust Company, as Issuing and Paying Agent (the “Issuing and Paying Agent”) under the Issuing and Paying Agent Agreement, dated as of November 1, 2004 (the “Issuing and Paying Agent Agreement”) by and between the City and the Issuing and Paying Agent, and the First Supplemental Subordinate Indenture (as defined below). Interest shall be calculated on the basis of a [year containing 365/366 days and actual number of days elapsed] [360-day year and actual number of days elapsed] at the rate specified in the Underlying Records. The principal of and interest on this Master Note shall be payable in lawful money of the United States of

America by wire transfer to the registered owner stated hereinabove from the Issuing and Paying Agent without the necessity of presentation and surrender of this Master Note.

The City has entered into a Master Subordinate Trust Indenture, dated as of November 1, 2004 (the "Master Subordinate Trust Indenture") with BNY Western Trust Company, as trustee (the "Trustee"). Such Master Subordinate Trust Indenture provides that the City may issue bonds and incur other indebtedness under the terms and conditions set forth in the Master Subordinate Trust Indenture and supplemental indentures. All bonds and other indebtedness issued thereunder and secured thereby are collectively referred to herein as "Subordinate Obligations." This Note constitutes a "Subordinate Obligation" within the meaning of the Master Subordinate Trust Indenture and secured in the manner provided in the Master Subordinate Trust Indenture.

This Note is one of a duly authorized issue of commercial paper notes of the City (the "Commercial Paper Notes"), all of which have been issued pursuant to Article XVII of the City Charter (the "Charter") and in pursuance of the laws and Constitution of the State of California and Resolution No. [] of the City Council adopted on October 19, 2004 (the "Resolution").

This Master Note is part of a program of Commercial Paper Notes of the City issued under the Master Subordinate Trust Indenture and the First Supplemental Subordinate Trust Indenture, dated as of November 1, 2004 (the "First Supplemental Subordinate Indenture," and together with the Master Subordinate Trust Indenture, the "Indenture") by and between the City and the Trustee. The program of which this Master Note is a part is authorized in the aggregate principal amount not to exceed \$15,000,000 outstanding at any one time and designated as the City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series A (Non-AMT), City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series B (AMT) and the City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series C (Taxable) (collectively, the "Commercial Paper Notes"). The Master Subordinate Trust Indenture also provides for the incurrence of additional debt, including the issuance of additional Subordinate Obligations, to be secured under the Master Subordinate Trust Indenture equally and ratably with the Commercial Paper Notes.

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

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

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

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

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

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

CITY OF LONG BEACH

By _____
City Manager

Attest:

By _____
City Clerk

CERTIFICATE OF AUTHENTICATION

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

BNY WESTERN TRUST COMPANY, as Issuing
and Paying Agent

By _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

I or we assign and transfer to

Insert social security or other
identifying number of assignee

[_____]

[_____]

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

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

Dated: _____

Signed _____

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

Signature guaranteed: _____

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

EXHIBIT G

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

**CITY OF LONG BEACH
SUBORDINATE AIRPORT REVENUE
COMMERCIAL PAPER NOTES**

To: [DEALER]

**NOTICE OF ISSUANCE OF
COMMERCIAL PAPER NOTES**

The undersigned Designated Representative, on behalf of the City of Long Beach (the "City") pursuant to that certain Master Subordinate Trust Indenture, dated as of November 1, 2004 (the "Master Indenture") by and between the City and BNY Western Trust Company, as trustee (the "Trustee"), as supplemented by the First Supplemental Subordinate Trust Indenture, dated as of November 1, 2004 (the "First Supplemental" and together with the Master Indenture, the "Indenture") by and between the City and the Trustee, hereby directs you as follows:

(a) Pursuant to Resolution No. [] adopted by the City Council on October 19, 2004 and the Indenture, the City is authorized to issue Commercial Paper Notes from time to time in Series in an aggregate principal amount not to exceed the Authorized Amount.

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

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

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

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

(e) The City hereby certifies and represents that: (i) the Letter of Credit is in full force and effect; (ii) after the issuance of such Commercial Paper Notes and the application of the proceeds thereof, the aggregate principal amount of Commercial Paper Notes Outstanding will not exceed the Available Authorized Amount; (iii) the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate continue to exist and are reaffirmed on date hereof; (iv) the City has not been notified by Bond Counsel that its opinion with respect to the validity of the Commercial Paper Notes and the tax treatment of the interest thereof delivered prior to the initial issuance of the Commercial Paper Notes has been revised or withdrawn; (v) no Specified Event of Default has occurred and is then continuing; and

(vi) all of the conditions precedent to the issuance of such Commercial Paper Notes set forth in Section 2.07 have been satisfied.

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

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

CITY OF LONG BEACH

By _____
Designated Representative

Cc: Issuing and Paying Agent
Bank

ISSUING AND PAYING AGENT AGREEMENT

by and between

CITY OF LONG BEACH

and

**BNY WESTERN TRUST COMPANY,
as Issuing and Paying Agent**

Dated as of November 1, 2004

Relating to

\$15,000,000

City of Long Beach, California

Subordinate Airport Revenue Commercial Paper Notes

Series A (Non-AMT)

Series B (AMT)

Series C (Taxable)

ISSUING AND PAYING AGENT AGREEMENT

This **ISSUING AND PAYING AGENT AGREEMENT** (this "Agreement"), dated as of November 1, 2004, is made by and between the **CITY OF LONG BEACH** a charter city and municipal corporation organized and existing under the Constitution of the State of California (the "City") and **BNY WESTERN TRUST COMPANY**, as issuing and paying agent (the "Issuing and Paying Agent").

RECITALS

1. Pursuant to the Master Subordinate Trust Indenture, dated as of November 1, 2004 (the "Master Subordinate Trust Indenture") by and between the City and BNY Western Trust Company, as trustee (the "Trustee"), as supplemented by the First Supplemental Subordinate Trust Indenture, dated as of November 1, 2004 (the "First Supplemental Subordinate Indenture," and together with the Master Subordinate Trust Indenture, the "Indenture") by and between the City and the Trustee, the City desires to implement a Commercial Paper Program within the meaning of the Indenture; and

2. The City, for the purpose of providing financing of certain of its projects, will execute and deliver the First Supplemental Subordinate Indenture, which shall set forth the terms of the City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series A (Non-AMT) (the "Series A Notes"), the City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series B (AMT) (the "Series B Notes") and the City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series C (Taxable) (the "Series C Notes," and together with the Series A Notes and the Series B Notes, the "Commercial Paper Notes"), in an aggregate authorized principal amount not to exceed \$15,000,000 and provide for the deposit and use of the proceeds of the Commercial Paper Notes and make other provisions relating to the Commercial Paper Notes.

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

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

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

City does hereby agree and covenant with the Issuing and Paying Agent for the benefit of the respective Owners, from time to time, of the Commercial Paper Notes, or any part thereof, and the Credit Provider, as follows:

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

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

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

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

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

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

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

Supplemental Subordinate Indenture, the Issuing and Paying Agent shall in accordance with such Instructions:

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

(b) The Issuing and Paying Agent agrees to inform the City immediately if the Dealer or its agent has not remitted payment to the Issuing and Paying Agent or to the Trustee at the Issuing and Paying Agent's request by 2:30 p.m., New York City time, on the date of delivery of such Commercial Paper Notes. The Issuing and Paying Agent also agrees to inform the City by 2:00 p.m., New York City time, on the Maturity Date of any Commercial Paper Notes if the Credit Provider has not remitted an Advance to the Issuing and Paying Agent sufficient to pay principal of the Commercial Paper Notes maturing on such Maturity Date. It is understood that each delivery of Commercial Paper Notes hereunder shall be subject to the rules of the New York Clearing House in effect at the time of such delivery.

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

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

Section 8. Payment of Commercial Paper Notes. The Issuing and Paying Agent hereby agrees to make payment on the maturing Commercial Paper Notes from funds provided

in the Debt Service Fund at the times, in the manner and from the sources described in the First Supplemental Subordinate Indenture.

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

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

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

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

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

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

Section 11. Notice; Addresses.

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

other department or division as the Issuing and Paying Agent shall specify in writing to the City). The Issuing and Paying Agent shall advise the City and the Dealer from time to time of the individuals generally responsible for the administration of this Agreement and will from time to time certify incumbency and specimen signatures of officers or employees authorized to countersign Commercial Paper Notes and will supply a list of employees authorized to receive telephone instructions.

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

If to the City at:	City of Long Beach 333 West Ocean Boulevard 6 th Floor Long Beach, California 90802 Attention: City Treasurer Telephone No.: (562) 570-6845 Facsimile No.: (562) 570-5260
If to the Issuing and Paying Agent at:	BNY Western Trust Company 700 South Flower Street Suite 500 Los Angeles, California 90017 Attention: Corporate Trust Department; Control No. CA004340 Telephone No.: (213) 630-6246 Facsimile No.: (213) 630-6215
If to the Credit Provider at:	Bank One, NA 201 N. Central Avenue Mail Code AZ1-1178 Phoenix, Arizona 85004 Attention: Mark A. Jensen Telephone No.: (602)221-2179 Facsimile No.: (602)221-1682
If to the Dealer at:	Lehman Brothers Inc. 745 7 th Avenue, 3 rd Floor New York, New York 10019 Attention: Municipal Money Market Group Telephone No.: (212) 528-1011 Facsimile No.: (212) 652-0575

Notices shall be deemed delivered when received at the address specified above. For purposes of this paragraph, "when received" shall mean actual receipt (a) of an electronic

communication by a telefax machine, telecopier or other electronic communications method (such as a timesharing terminal); (b) an oral communication by any person answering the telephone at the Issuing and Paying Agent's office specified in Section 11(a) hereof and otherwise at the office of the individual or department specified in or pursuant to this Agreement; or (c) of a written communication hand delivered at the office specified above.

Section 12. Additional Information. Upon the reasonable request of the City given at any time and from time to time, the Issuing and Paying Agent shall promptly provide the City with information with respect to the Commercial Paper Note(s) issued and paid hereunder. Such request shall be in written form and shall include the serial number, principal amount, date of issue, maturity date and amount of interest, if any, of each Commercial Paper Note which has been issued or paid by the Issuing and Paying Agent and for which the request is being made. The Issuing and Paying Agent and the City shall discuss from time to time the extent to which such information is reasonably available and the times at which the Issuing and Paying Agent can reasonably furnish such information. In addition, the Issuing and Paying Agent shall provide the City and the Credit Provider a monthly summary setting forth all Commercial Paper Note activity and all activity in the Series A Account in the Debt Service Fund, the Series B Account in the Debt Service Fund, and the Series C Account in the Debt Service Fund for the preceding month.

Section 13. Liability; Indemnity. The Issuing and Paying Agent may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

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

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

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

The City agrees to indemnify, to the extent permitted by law, and hold the Issuing and Paying Agent harmless against costs, claims, expenses or liabilities, not arising from the Issuing and Paying Agent's own negligence, misconduct or breach of duty, which the Issuing and Paying Agent may incur in the exercise and performance of its rights and obligations hereunder. Such

obligation shall survive the termination of this Agreement or the resignation or removal of the Issuing and Paying Agent. The forgoing entitlement to indemnity shall not apply or be a condition to the Issuing and Paying Agent's obligation and duty to make payments to the holders with respect to the Commercial Paper Notes.

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

Section 14. Benefit of Agreement. This Agreement is solely for the benefit of the parties hereto, and no other person shall acquire or have any right under or by virtue of this Agreement without the consent of the Credit Provider. The Credit Provider is an intended third party beneficiary of this Agreement.

Section 15. Termination. This Agreement may be terminated at any time by either the Issuing and Paying Agent or the City by 30 days' prior written notice to the other and to each party required to receive such notice pursuant to the First Supplemental Subordinate Indenture, but such termination shall not affect the respective liabilities of the parties hereunder arising prior to such termination and no such removal or resignation shall be effective until a replacement Issuing and Paying Agent shall be in office as provided under the First Supplemental Subordinate Indenture.

Section 16. Governing Law. This Agreement is to be delivered and performed in, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of California.

Section 17. Fees. The Issuing and Paying Agent shall receive fees from the City for acting as Issuing and Paying Agent hereunder in accordance with the schedule attached hereto as Exhibit A.

Section 18. Counterparts. This Agreement may be signed in several counterparts. Each will be an original but all of them together constitute the same instrument.

[End of Issuing and Paying Agent Agreement]

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

CITY OF LONG BEACH

By _____
Name _____
Title _____

Attest:

By _____
City Clerk

Approved as to form:

ROBERT E. SHANNON, City Attorney

By _____
Assistant City Attorney

BNY WESTERN TRUST COMPANY, as Issuing
and Paying Agent

By _____
Authorized Representative

[Signature page to the Issuing and
Paying Agent Agreement]

EXHIBIT A
(Issuing and Paying Agent Fees)

Draft of October 8, 2004
Marked to Show Changes From
Draft of October 1, 2004

Double underscore indicates insertion.
~~Strikethrough~~ indicates deletion.

REIMBURSEMENT AGREEMENT

Dated as of ~~October~~November 1, 2004

between

CITY OF LONG BEACH

and

BANK ONE, NA

Relating to:
City of Long Beach, California
Subordinate Airport Revenue Commercial Paper Notes
Series A (Non-AMT)
Series B (AMT)
Series C (Taxable)

REIMBURSEMENT AGREEMENT

(This Table of Contents is not a part of
this Reimbursement Agreement
and is only for
convenience of reference)

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Signature

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REIMBURSEMENT AGREEMENT

Dated as of ~~October~~November 1, 2004

City of Long Beach
Long Beach, California

Ladies and Gentlemen:

The City (such term and each other capitalized term used herein having the meaning set forth in Article One hereof), desires to secure a source of funds to be devoted exclusively to the payment by the Issuing and Paying Agent, when and as due, of the principal of and interest on the Commercial Paper Notes, and in that connection has applied to the Bank for issuance by the Bank of the Letter of Credit in the Maximum Stated Amount of \$16,350,000 (as defined herein). Further, the Bank has been requested by the City to provide a liquidity facility in the form of a Drawing under the Letter of Credit and to provide such liquidity facility in the following manner and subject to the following terms and conditions. Accordingly, the City and the Bank hereby agree as follows:

ARTICLE ONE

DEFINITIONS

Section 1.1. Definitions. As used in this Agreement:

"Advance" - is defined in Section 2.3(a) hereof.

"Agreement" - means this Reimbursement Agreement, as amended and supplemented.

"Airline" - means any air carrier whose operations include the use of the Airport.

"Airport" - means the Long Beach Airport.

"Airport Budget" - means that portion of the annual budget of the City that relates to the Airport.

"Applicable Law" - means all applicable provisions of all constitutions, statutes, rules, regulations and all orders, judgments and decrees of all governmental bodies, courts and arbitrators.

"Authorized City Representative" - has the meaning assigned in the Subordinate Trust Indenture.

"Bank" - means Bank One, NA, and its successors and assigns.

"Bank Note" - has the meaning assigned to such term in Section 2.3(d) herein.

"Bank Rate" - means the rate of interest per annum with respect to an Advance (i) for any day commencing on the date such Advance is made to and including the thirtieth (30th) day next succeeding the date such Advance is made, equal to the sum of the Base Rate from time to time in effect *plus* 1.0%, (ii) for any day commencing on the thirty-first (31st) day next succeeding the date such Advance is made to and including the ninetieth (90th) day next succeeding the date such Advance is made, equal to the sum of

the Base Rate from time to time in effect *plus* 1.50% and (iii) thereafter, equal to the sum of the Base Rate from time to time in effect *plus* 2.0%; *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, "Bank Rate" shall mean the Default Rate.

"*Base Rate*" - means, for any day, the higher of (i) the Prime Rate or (ii) the Federal Funds Rate plus 1/2 of 1% (0.50%).

"*Business Day*" - shall have the meaning set forth in the Letter of Credit.

"*Capital Lease*" - means any lease of Property by any Person which in accordance with GAAP would be required to be capitalized on the balance sheet of such Person.

"*City*" - means the City of Long Beach, California, a charter city and municipal corporation organized under the Constitution of the State of California.

"*Closing Date*" - means the date on which the Letter of Credit is issued.

"*Code*" - means the Internal Revenue Code of 1986, as amended, and any successor statute thereto.

"*Commercial Paper Documents*" - means the Senior Lien Contract, the Subordinate Trust Indenture, the Supplemental Subordinate Trust Indenture, the Resolution and the Commercial Paper Notes.

"*Commercial Paper Notes*" - means, collectively, the Series A Notes, the Series B Notes and the Series C Notes.

"*Commitment Expiration Date*" - means _____, 2007, unless extended as provided herein, in which case the Commitment Expiration Date means the date to which the Commitment Expiration Date has been so extended.

"*Commitment Fee Rate*" - has the meaning assigned to such term in Section 2.5(a)(i) hereof.

"*Credit Facility*" - shall have the meaning given such term in the Subordinate Trust Indenture.

"*Credit Facility Accounts*" - means, collectively, the "Series A Credit Facility Account," the "Series B Credit Facility Account" and the "Series C Credit Facility Account" each as defined in the Supplemental Subordinate Trust Indenture.

"*Dealer*" - means Lehman Brothers Inc., and its successors and assigns.

"*Dealer Agreement*" - means the Dealer Agreement dated as of ~~October~~November 1, 2004, executed by the City and the Dealer.

"*Debt*" - means, for any Person (without duplication), (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, commercial paper notes or other similar instruments (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all Capital Leases of such Person, (e) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities (or property), (f) all deferred obligations of such Person to reimburse any bank or other Person in respect of

amounts paid or advanced under a letter of credit or other instrument, (f) all Debt of others secured by a Lien on any asset of such Person, including any Guaranties, whether or not such Debt is assumed by such Person, (g) all Debt of others guaranteed directly or indirectly by such Person or as to which such Person has an obligation substantially the economic equivalent of a Guaranty and (h) obligations in respect of interest rate protection programs; *provided* that in no event shall the term “*Debt*” as used herein include any indebtedness of the City which is payable solely from payments to be made by a Person other than the City.

“*Default Rate*” - means the rate of interest per annum determined in accordance with Section 2.10 hereof.

“*Drawing*” - has the meaning assigned to that term in the Letter of Credit.

“*Enterprise*” - has the meaning assigned to that term in the Subordinate Trust Indenture.

“*Event of Default*” - is defined in Section 7.1 hereof.

“*FAA*” - means the Federal Aviation Administration of the United States Department of Transportation and any successor thereto.

“*Facility Fee*” - means the fees payable to the Bank pursuant to Section 2.5(a) hereof.

“*Failed Refinancing*” - means the City has failed to (i) refund or refinance the Commercial Paper Notes, (ii) terminate the Letter of Credit and (iii) pay all Obligations owing to the Bank, within 120 days from and after the date of any reduction by Moody’s, S&P or Fitch of the long-term unenhanced rating assigned to the Senior Obligations below “*Baa3*” (or its equivalent), “*BBB-*” (or its equivalent) or “*BBB-*” (or its equivalent), respectively.

“*Federal Funds Rate*” - shall mean for any day the rate of interest per annum as determined by the Bank at which overnight Federal Funds are offered to the Bank for such day by major banks in the interbank market, with any change in such rate to become effective as to the City on the date of any change in such rate. Each determination of the Federal Funds Rate by the Bank shall be deemed conclusive and binding on the City absent manifest error.

“*Fiscal Year*” - shall have the meaning given such term in the Subordinate Trust Indenture.

“*Fitch*” - means Fitch, Inc.

“*GAAP*” - means generally accepted accounting principles in the United States as in effect from time to time, applied by the City on a basis consistent with the City’s most recent financial statements furnished to the Bank pursuant to Section 5.12 hereof.

“*Governmental Approval*” - means an authorization, consent, approval, license, or exemption of, registration or filing with, or report to any Governmental Authority.

“*Governmental Authority*” - means any nation or government, any state, department, agency or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government, and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing.

“*Guaranty*” - means, for any Person, any agreement or undertaking pursuant to which such Person guarantees, endorses (other than for collection or deposit in the ordinary course of business)

assumes or otherwise becomes secondarily, contingently or otherwise liable for any obligation of any other Person and shall include, without limitation, any agreement to purchase, to provide funds for payment, to supply funds to invest in such other Person or otherwise to assure a creditor of such other Person against loss.

"Holder" - shall mean a holder of any Commercial Paper Note.

"Increase Date" - means the date on which the Bank executes and delivers to the Issuing and Paying Agent an Annex H to the Letter of Credit increasing the Stated Amount hereof.

"Initial Issuing and Paying Agent" - means BNY Western Trust Company, and its from time to time successors and assigns.

"Investment Grade" - means any rating in one of the four highest rating categories of any Rating Agency without regard to numerical designations or the symbols "+" and "-" (i.e., currently a rating of "Baa3" (or its equivalent) or better by Moody's and "BBB-" (or its equivalent) or better by S&P and Fitch).

"Investment Grade Downgrade Event" - means the date on which the rating on any Senior Obligations falls below Investment Grade or is suspended or withdrawn by any Rating Agency.

"Issuing and Paying Agent" - means the Initial Issuing and Paying Agent and any successor thereto.

"Issuing and Paying Agent Agreement" - means the Issuing and Paying Agent Agreement dated as of ~~October~~ November 1, 2004, between the City and the Issuing and Paying Agent.

"Letter of Credit" - means the irrevocable letter of credit issued by the Bank for the account of the City in favor of the Issuing and Paying Agent supporting the Commercial Paper Notes, in the form of Appendix I hereto with appropriate insertions.

"Letter of Credit Expiration Date" - means the date set forth in the Letter of Credit as the date on which the Letter of Credit is stated to expire, as the same may be extended pursuant to Section 2.12 hereof.

"Letter of Credit Fee Rate" - has the meaning assigned to such term in Section 2.5(a)(ii) hereof.

"Lien" - means any mortgage, deed of trust, lien, security interest, assignment, pledge, charge, hypothecation or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

"Maintenance and Operation Costs" - shall have the meaning given such term in the Subordinate Trust Indenture.

"Material Adverse Effect" - means a material adverse effect on the ability of the City to perform any of its obligations under the Related Documents.

"Maximum Rate" - means the lesser of (i) 20% per annum or (ii) the highest rate permitted by law.

"Maximum Stated Amount" - means \$.16,350,000.

"Moody's" - means Moody's Investors Service.

"Net Revenues" - shall have the meaning set forth in the Subordinate Trust Indenture.

"Noise Law" - means, collectively, the Noise Statute and the Noise Regulations.

"Noise Regulations" - means 14 Code of Federal Regulations Part 161, as amended.

"Noise Statute" - means the Federal Airport Noise and Capacity Act of 1990, as amended.

"Obligations" - means the Reimbursement Obligations, the Facility Fees, the obligations of the City to the Bank under Sections 8.1 and 8.3 hereof and all other obligations of the City to the Bank arising under or in relation to this Agreement.

"Offering Memorandum" - means the Offering Memorandum relating to the Commercial Paper Notes, as such document is amended, restated and supplemented from time to time.

"Original Stated Amount" - shall mean the original stated amount of the Letter of Credit as provided in Section 2.1 hereof.

"Outstanding" - shall have the same meaning herein as in the Subordinate Trust Indenture.

"Payment Office" - means Bank One, NA, ABA#: _____, Acct.# _____, Ref: City of Long Beach, California CP 2004.

"PFCs" - means the passenger facility charge imposed by the City on passengers enplaned at the Airport pursuant to the PFC Regulations.

"PFC Regulations" - means 14 CFR Part 158 of the Federal Aviation Regulations, as amended and supplemented, and any successor regulations of the FAA relating to PFCs.

"Person" - means an individual, a corporation, a partnership, an association, a limited liability company, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

"Pledged Funds" - shall mean the collateral pledged to secure the Subordinate Obligations pursuant to the Subordinate Trust Indenture.

"Potential Default" - means an event or condition which, but for the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"Prime Rate" - for any day shall mean the per annum rate of interest for such day announced by the Bank from time to time as its base rate or equivalent rate for United States dollar denominated loans, with any change in such prime rate or equivalent to be effective on the date of such change, it being understood that such rate may not be the best or lowest rate offered by the Bank.

"Property" - means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Rating Agencies" - means Fitch and Moody's.

"Reimbursement Obligations" - means any and all obligations of the City to reimburse the Bank for any drawings under the Letter of Credit and all obligations to repay Bank for any Advance, including in each instance all interest accrued thereon.

"Related Documents" - means this Agreement, the Letter of Credit, the Dealer Agreement, the Issuing and Paying Agent Agreement, and the Commercial Paper Documents.

"Resolution" - means Resolution No. _____ dated _____, 2004, authorizing the issuance of the Commercial Paper Notes and the execution and delivery of the Related Documents.

"Revenues" - shall have the meaning given such term in the Subordinate Trust Indenture.

"Senior Lien Contract" - shall have the meaning given such term in the Subordinate Trust Indenture.

"Senior Lien Obligations" - shall have the meaning given such term in the Subordinate Trust Indenture.

"Series A Notes" - means the Subordinate Airport Revenue Commercial Paper Notes, Series A (Non-AMT) issued by the City under the Supplemental Subordinate Trust Indenture.

"Series A Project Account" - shall have the meaning given such term in the Supplemental Subordinate Trust Indenture.

"Series B Notes" - means the Subordinate Airport Revenue Commercial Paper Notes, Series B (AMT) issued by the City under the Supplemental Subordinate Trust Indenture.

"Series B Project Account" - shall have the meaning given such term in the Supplemental Subordinate Trust Indenture.

"Series C Notes" - means the Subordinate Airport Revenue Commercial Paper Notes, Series C (Taxable) issued by the City under the Supplemental Subordinate Trust Indenture.

"Series C Project Account" - shall have the meaning given such term in the Supplemental Subordinate Trust Indenture.

"Stated Amount" - means, as of any date, the maximum amount which by the terms of the Letter of Credit is available to be drawn under the Letter of Credit as of such date.

"Stop-Issuance Notice" - means a written notice given to the Issuing and Paying Agent by the Bank to stop issuing Commercial Paper Notes as provided in Section 7.2(b) hereof.

"Subordinate Net Revenues" - shall have the meaning given such term in the Subordinate Trust Indenture.

"Subordinate Obligations" - shall have the meaning given such term in the Subordinate Trust Indenture.

"Subordinate Trust Indenture" - means the Master Subordinate Trust Indenture dated as of ~~October~~ November 1, 2004 by and between the City and the Trustee, as amended and supplemented in

accordance with the provisions of Section 6.15 hereof.

"Supplemental Subordinate Trust Indenture" - means the First Supplemental Subordinate Trust Indenture dated as of ~~October~~ November 1, 2004 between the City and the Trustee, as amended and supplemented in accordance with the terms of Section 6.15 hereof.

"Termination Date" - shall have the meaning set forth in the Letter of Credit.

"Unutilized Amount" - means, as of any date, an amount equal to the difference between (i) the Maximum Stated Amount as of such date and (ii) the Stated Amount (without regard to any temporary reductions of the Stated Amount) as of such date.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any capitalized terms used herein which are not specifically defined herein shall have the same meanings herein as in the Subordinate Trust Indenture, the Supplemental Subordinate Trust Indenture or the Issuing and Paying Agent Agreement, as applicable. All references in this Agreement to times of day shall be references to New York time unless otherwise expressly provided herein. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

ARTICLE TWO LETTER OF CREDIT

Section 2.1. Issuance of Letter of Credit. Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit (substantially in the form of Appendix I hereto). The Letter of Credit shall be in the original stated amount of \$ _____, *provided* that in no event shall the Stated Amount at any time exceed the Maximum Stated Amount.

Section 2.2. Letter of Credit Drawings. The Issuing and Paying Agent is authorized to make drawings under the Letter of Credit in accordance with its terms. The City hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. The City hereby irrevocably approves reductions and reinstatements of the Stated Amount with respect to the Letter of Credit as provided in the Letter of Credit.

Section 2.3. Reimbursement of Certain Drawings under the Letter of Credit; Mandatory Prepayment; Interest. (a) If the conditions precedent contained in Section 4.2 hereof are satisfied at the time of payment by the Bank of any Drawing, each Drawing made under the Letter of Credit shall constitute an advance ("*Advance*") to the City. The City promises to pay to the Bank each Advance on the earlier of (i) the date on which the Letter of Credit is replaced by a substitute Credit Facility pursuant to the terms of the Supplemental Subordinate Trust Indenture and (ii) the date which is the third anniversary of the date such Advance was made. Subject to Section 2.10 hereof, the City also promises to pay to the Bank interest on the unpaid principal amount of each Advance from the date such Advance is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect and shall be payable quarterly in arrears on the first day of each January, April, July and October and on the date that the final principal installment of such Advance is payable as herein provided.

Unless otherwise paid in full on the date provided above, the principal portion of each Advance shall be payable by the City in quarterly installments ("*Quarterly Principal Payments*") on the first day of each January, April, July and October, with the final installment in an amount equal to the entire then outstanding principal amount of such Advance due and payable on the date which is the third anniversary of the date such Advance was made (the period commencing on the date such installment is initially payable and ending on the date that the final principal installment of such Advance is payable as herein provided herein referred to as the "*Amortization Period*"). Each Quarterly Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate quarterly principal payments over the applicable Amortization Period.

(b) Any Advance created pursuant to paragraph (a) above may be prepaid in whole or in part without premium or penalty on any Business Day upon one Business Day's prior written notice.

(c) Upon the Bank's receipt of any payment or prepayment of any Advance, the amount of such Advance shall be reduced by the amount of such payment or prepayment.

(d) All Reimbursement Obligations shall be made against and evidenced by the City's promissory note payable to the order of the Bank in the maximum principal amount of \$_____, such note to be executed and delivered to the Bank on the Closing Date in the form of Exhibit A attached hereto (the "*Bank Note*"). All Reimbursement Obligations owed to the Bank and all payments and prepayments on account of the principal of and interest on each Reimbursement Obligation shall be recorded by the Bank on the schedule attached to such Bank Note; *provided, however* that the failure of the Bank to make any such endorsement or any error therein shall not affect the obligations of the City hereunder or under the Bank Note in respect of the unpaid principal of and interest on the Reimbursement Obligations evidenced by the Bank Note. The City shall pay principal and interest on the Bank Note on the dates and at the rates provided for in Sections 2.3 and 2.4 hereof.

Section 2.4. Reimbursement of Drawings Other Than Drawings Creating Advances Under the Letter of Credit. The City agrees to reimburse the Bank for the full amount of any Drawing (but only if the conditions precedent contained in Section 4.2 hereof are not satisfied on the date of payment by the Bank of such Drawing) immediately upon payment by the Bank of each such drawing and on the date of each such payment. If the City does not make such reimbursement on such date, such reimbursement obligation shall bear interest at the Default Rate.

Section 2.5. Fees. (a) *Facility Fees.* Quarterly in arrears on the first day of each January, April, July and October (commencing on January 1, 2005 for the period from and including the Closing Date to and including December 31, 2004) occurring prior to the Termination Date, and on the Termination Date (each a "*Fee Payment Date*"), the City agrees to pay to the Bank (i) a nonrefundable commitment fee in an amount equal to the rate per annum (the "*Commitment Fee Rate*") specified below of the Unutilized Amount and (ii) a nonrefundable letter of credit fee in an amount equal to the rate per annum (the "*Letter of Credit Fee Rate*") specified below of the Stated Amount (without regard to any temporary reductions of the Stated Amount), in each case from time to time in effect during each related period.

LEVEL	MOODY'S R ATING	FITCH RATING	COMMITMENT FEE RATE	LETTER OF C REDIT FEE RATE
Level 1:	A2	A	.55%	1.20%
Level 2:	A3	A-	.60%	1.25%
Level 3:	Baa1	BBB+	.65%	1.35%
Level 4:	Baa2	BBB	.75%	1.45%
Level 5:	Baa3	BBB-	.90%	1.60%
Level 6:	Below Baa3	Below BBB-	1.35%	2.50%

In the event that a Rating is suspended or otherwise unavailable from any of the Rating Agencies, the Commitment Fee Rate and the Letter of Credit Fee Rate shall be that set forth in Level 6 above. Upon the occurrence of an Event of Default or upon the occurrence of a Failed Refinancing, the Letter of Credit Fee Rate in effect on the date of such occurrence shall increase by an additional 1.00% per annum. The term "Rating" as used above shall mean the Rating assigned to the Senior Lien Obligations (without giving effect to any bond insurance policy or other credit enhancement securing such Senior Lien Obligations) by each of Moody's and Fitch. In the event of a split Rating (*i.e.*, one of the foregoing Rating Agencies' Ratings is at a different level than the Rating of the other Rating Agencies), the Commitment Fee Rate and the Letter of Credit Fee Rate shall be based upon the level in which the lowest Rating appears. Any change in the Commitment Fee Rate or the Letter of Credit Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement by any such Rating Agency of the change in such Rating.

References to Ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, each of the Ratings from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new or changed rating system which most closely approximates the applicable rating category as currently in effect. The City and the Bank acknowledge that as of the Closing Date the Commitment Fee Rate and the Letter of Credit Fee Rate is that specified above for Level 2.

(b) *Drawing Fee.* The City hereby agrees to pay a drawing fee of \$250 to the Bank for each drawing paid by the Bank under the Letter of Credit.

(c) *Amendment; Transfer Fee.* In connection with the written request by the City of (i) any amendment, supplement or modification of this Agreement or the Letter of Credit or (ii) any transfer of the Letter of Credit to any successor Issuing and Paying Agent under the Supplemental Subordinate Trust Indenture, the City hereby agrees to pay to the Bank on the date of each occurrence as set forth in clauses (i) or (ii) above, a fee in the amount not to exceed \$2,500, plus the reasonable out-of-pocket fees and expenses of counsel to the Bank.

(d) *Closing Fee.* The City hereby agrees to pay to the Bank a closing fee in an aggregate

amount of 0.10% of the Maximum Stated Amount.

Section 2.6. Method of Payment; Etc. All payments to be made by the City under this Agreement shall be made at the Bank's Payment Office not later than 2:00 p.m. on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds.

Section 2.7. Substitute Letter of Credit. Notwithstanding any provisions of the Senior Lien Contract, the Subordinate Trust Indenture or the Supplemental Subordinate Trust Indenture to the contrary, the City shall give the Bank 30 days prior written notice before replacing or terminating the Letter of Credit. Upon any replacement or termination of the Letter of Credit, all outstanding Advances, accrued interest, fees and other Obligations of the City hereunder and under the Bank Note shall be promptly paid in full to the Bank.

Section 2.8. Computation of Interest and Fees. Fees payable hereunder shall be calculated on the basis of a year of 360 days based on the actual number of days elapsed. All computations of interest payable by the City under this Agreement shall be made on the basis of a year of 360 days based on the actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof.

Section 2.9. Payment Due on Non-Business Day to Be Made on Next Business Day. If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 2.10. Late Payments. If the principal amount of any Obligation is not paid when due or following the occurrence and during the continuance of an Event of Default, all Obligations hereunder shall bear interest until paid in full at a rate per annum equal to the Base Rate from time to time in effect plus 3%, payable on demand (the "Default Rate").

Section 2.11. Source of Funds. All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person.

Section 2.12. Extension of Letter of Credit Expiration Date and Commitment Expiration Date.

(a) *Letter of Credit Expiration Date.* If the City on any date which is not more than 365 days nor less than 180 days prior to the then current Letter of Credit Expiration Date of the Letter of Credit, submits to the Bank a written request for an extension of the Letter of Credit Expiration Date for a period as specified in such written request, the Bank will make reasonable efforts to respond to such request within 45 days after receipt of all information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision. In the event a Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented thereto in writing. The consent of the Bank, if

granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Bank. If such an extension request is accepted by the Bank in its absolute discretion, the then current Letter of Credit Expiration Date for the Letter of Credit shall be extended to the date agreed by the City and the Bank.

(b) *Commitment Expiration Date.* If the City, on any date which is not more than 365 days nor less than 180 days prior to the then current Commitment Expiration Date, submits to the Bank a written request for an extension of the Commitment Expiration Date for a period as specified in such written request, the Bank will make reasonable efforts to respond to such request within 45 days after receipt of all information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. A Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented thereto in writing. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Bank. If such an extension request is accepted by the Bank in its absolute discretion, the then current Commitment Expiration Date shall be extended to the date agreed upon by the City and the Bank.

Section 2.13. Amendments upon Extension. Upon any extension of the Letter of Credit Expiration Date pursuant to Section 2.12(a) of this Agreement, the Bank and the City reserve the right to renegotiate any provision hereof.

ARTICLE THREE COMMITMENT

Section 3.1. Commitment to Increase Stated Amount. During the period from and including the Closing Date to and including the earlier of (i) the Commitment Expiration Date and (ii) the Termination Date, *provided* the representations and warranties of the City contained in each of the Issuing and Paying Agent Agreement, the Commercial Paper Documents and this Agreement are true and correct on and as of the Increase Date and provided that no Event of Default has occurred and is continuing, and subject to the terms and conditions of Section 4.3 hereof, the Bank will issue, upon the written request of the Authorized City Representative but in no event more frequently than once per calendar month, an Annex H to the Letter of Credit increasing the Stated Amount of the Letter of Credit by the amount requested by the City, *provided that* in no event shall the amount of any increase to the Stated Amount of the Letter of Credit exceed, at any time, the positive difference, if any, between (i) the Maximum Stated Amount and (ii) the sum of (A) the Stated Amount and (B) the aggregate principal amount of all unreimbursed Drawings payable hereunder. Anything herein to the contrary notwithstanding, the obligation of Bank to increase the Stated Amount of the Letter of Credit by issuing an Annex H to the Letter of Credit shall terminate on the earlier of the Commitment Expiration Date or the Termination Date of the Letter of Credit.

Section 3.2. Reduction of Maximum Stated Amount; Reduction of Stated Amount.

(i) The City may, upon at least five (5) Business Days' notice to the Bank, reduce the Maximum Stated Amount from time to time during the period from such date through the Termination Date but in no event more frequently than once per calendar quarter, provided that (A) each such reduction of the Maximum Stated Amount shall be in an amount equal to \$500,000 or an integral multiple thereof, (B) the amount of the Maximum Stated Amount may not be reduced below the aggregate principal amount of Commercial Paper Notes Outstanding, together with the aggregate interest payable on such principal amount of such Commercial Paper Notes Outstanding and (C) the Bank shall have received a certificate, substantially in the form of Annex B-1 to the Letter of Credit, with respect to such reduction submitted by an authorized officer of the Issuing and Paying Agent. Any reduction of the Maximum Stated Amount pursuant to this Section 3.2(i) shall be permanent.

(ii) The City may, upon at least five (5) Business Days' notice to the Bank, reduce the Stated Amount from time to time during the period from such date through the Termination Date but in no event more frequently than once per calendar quarter, provided that (A) each such reduction of the Stated Amount shall be in an amount equal to \$500,000 or an integral multiple thereof (except if the Initial Stated Amount is reduced to \$0), (B) the amount of the Stated Amount may not be reduced below the aggregate principal amount of Commercial Paper Notes Outstanding, together with the aggregate interest payable on such principal amount of such Commercial Paper Notes Outstanding and (C) the Bank shall have received a certificate, substantially in the form of Annex B-2 to the Letter of Credit, with respect to such reduction submitted by an authorized officer of the Issuing and Paying Agent.

ARTICLE FOUR CONDITIONS PRECEDENT

Section 4.1. Conditions Precedent to Issuance of Letter of Credit. As conditions precedent to the obligation of the Bank to issue the Letter of Credit, (a) the City shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and the Bank's counsel, Chapman and Cutler LLP (hereinafter, "*Bank's counsel*"):

(i) a written opinion or opinions of the City Attorney, dated the Closing Date and addressed to the Bank;

(ii) the written opinion of Kutak Rock, LLP, note counsel, dated the Closing Date and addressed to the Bank;

(iii) a certificate signed by a duly authorized officer of the City, dated the Closing Date and stating that:

(A) the representations and warranties contained in Article Five of this Agreement are true and correct on and as of the Closing Date as though made on such date; and

(B) no Event of Default or Potential Default has occurred and is continuing, or would result from the issuance of the Letter of Credit or the execution, delivery or performance of this Agreement or any Related Document to which the City is a party;

(iv) this Agreement duly executed on behalf of the City;

(v) certificates of appropriate officials of the City certifying the names and true signatures of the officials of the City authorized to execute on behalf of the City this Agreement and the other documents to be delivered by the City hereunder and thereunder;

(vi) certified copies of the Senior Lien Contract, the Subordinate Trust Indenture, the Supplemental Subordinate Trust Indenture and the Resolution, authorizing, among other things, the execution, delivery

and performance by the City of this Agreement certified by ~~the Clerk and Recorder of the~~ Authorized City Representative as being in full force and effect; and

(vii) an executed or certified copy of each other document, instrument, certificate and opinion delivered pursuant to the Subordinate Trust Indenture, the Supplemental Subordinate Trust Indenture, the Dealer Agreement, the Issuing and Paying Agent Agreement and the other Related Documents in connection with the issuance and delivery of the Commercial Paper Notes;

(b) in the judgment of the Bank and the Bank's counsel, no law, regulation, ruling or other action of the United States, the State of California or the State of New York or any political subdivision or authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent the Bank from fulfilling its obligations under this Agreement or the Letter of Credit;

(c) the City shall have paid all the fees then due referred to in Sections 2.5(a) and (d) hereof and the fees and expenses of counsel to the Bank as provided in Section 8.15 hereof; and

(d) all legal requirements provided herein incident to the execution, delivery and performance of the Related Documents and the transactions contemplated thereby, shall be reasonably satisfactory to the Bank and Bank's counsel.

Section 4.2. Conditions Precedent to Advances. Following any payment by the Bank under the Letter of Credit pursuant to a Drawing, an Advance shall be made available to the City *only if* on the date of payment of such Drawing by the Bank (i) the representations and warranties contained in Article Five of this Agreement are true and correct in all material respects as of such date and (ii) no event has occurred and is continuing, or would result from such payment, which constitutes a Potential Default or Event of Default.

Unless the City shall have previously advised the Bank in writing that the above statement is no longer true, the City shall be deemed to have represented and warranted on the date of such payment that the above statement is true and correct.

Section 4.3. Conditions Precedent to Issuance of each Annex H to the Letter of Credit. The obligation of the Bank to increase the Stated Amount of the Letter of Credit by issuing an Annex H to the Letter of Credit on any Increase Date shall be subject to the following:

(i) Receipt by the Bank, not less than five Business Days prior to the requested Increase Date, of written notice from the City of its request to increase the Stated Amount and the amount so requested;

(ii) Receipt by the Bank of a certificate of an authorized officer of the City, acknowledged by the Issuing and Paying Agent, in the form of Annex H hereto, dated as of the date such Annex H to the Letter of Credit is to be issued;

(iii) The requested Increase Date is a Business Day;

(iv) A determination by the Bank that the issuance of such Annex H to the Letter of Credit will not cause the sum of the Stated Amount, plus the aggregate principal amount of all unreimbursed Drawings, to exceed the Maximum Stated Amount; and

(v) A determination by the Bank that, as of the applicable Closing Date, neither the Commitment Expiration Date nor the Termination Date of the Letter of Credit has occurred.

ARTICLE FIVE

REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement, the City represents and warrants to the Bank as follows:

Section 5.1. Organization; Existence. The City is a city, duly organized under a charter duly and regularly adopted pursuant to the provisions of the Constitution of the State of California.

Section 5.2. Power and Authority. The City has and had at the time of adoption, execution, delivery, issuance, sale or performance full power, right and authority to (i) execute, deliver and perform its obligations under the Subordinate Trust Indenture and each of the Related Documents to which it is a party, and any and all instruments and documents required to be executed, adopted or delivered pursuant to or in connection herewith or therewith, (ii) issue and sell the Commercial Paper Notes as provided in the Related Documents and make payment of principal and interest, if any, on the Commercial Paper Notes and to pay the Obligations and the Bank Note at the times and in the manner set forth herein, (iii) possess, manage and operate the Airport, and (iv) perform each and all of the matters and things herein and therein provided for and the City has complied in all material respects with the laws of the State of California in all matters relating to such execution, delivery and performance.

Section 5.3. Due Authorization, Etc. This Agreement and each of the Related Documents to which the City is a party have been duly authorized, executed, issued and delivered. This Agreement and each of the Related Documents to which the City is a party constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms, except as such enforceability may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium, or other similar laws and equitable principles relating to or affecting creditors' rights generally from time to time in effect. The Obligations are payable from and secured by Subordinate Net Revenues as set forth herein, in the Subordinate Trust Indenture and the Supplemental Subordinate Trust Indenture.

Section 5.4. Necessary Actions Taken. The City has taken all actions necessary to be taken by it (i) for the issuance and sale of the Commercial Paper Notes upon the terms set forth in the Related Documents, (ii) for the execution, adoption and delivery by the City of any and all such other instruments and the taking of all such other actions on the part of the City as may be necessary or appropriate for the effectuation and consummation of the transactions on the part of the City contemplated by the Related Documents or in connection herewith or therewith and (iii) to authorize or approve, as appropriate, the execution or adoption, issuance and delivery of, and the performance of its obligations under and the transactions contemplated by each of the Related Documents to which it is a party and the payment of the Obligations and the Bank Note at the times and in the manner set forth.

Section 5.5. No Contravention. The execution and delivery of each of the Related Documents and compliance with the provisions hereof and thereof, will not conflict with or result in a violation of the Constitution of the State of California or the laws of the State of California, including any debt limitations or other restrictions or conditions on the debt-issuing power of the City, and will not conflict with or result in a violation of, or breach of, or constitute a default under, any law, judgment, order, decree or administrative regulation or any of the terms, conditions or provisions of the City's charter or any ordinance, judgment, decree, contract, loan agreement, note, bond, resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the City is a party or by which it or any property of the City is bound and will not, except as expressly provided herein, result in the imposition or creation of any lien, charge, or encumbrance upon or invalidate or adversely affect in any way the Subordinate Net Revenues. The City has not received any notice, not subsequently withdrawn, given in accordance with the remedy provisions of any bond resolution or ordinance, trust indenture, guarantee or agreement or State law pertaining to bonds or notes secured by the Subordinate Net Revenues, of any default or event of default of the City which has not been cured, remedied or waived.

Section 5.6. Compliance. The current collection of Revenues and the management of the Airport and the accounting and recordkeeping therefor are in material compliance with all applicable state and federal laws and all applicable resolutions, ordinances and rules of the City. The City is in compliance with the terms and conditions of the Senior Lien Contract and each of the Related Documents to which it is a party, and no breach of the terms hereof or thereof has occurred and is continuing, and no Default or Event of Default has occurred and is continuing.

Section 5.7. No Default. No default by the City has occurred and is continuing in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued by the City and secured by the Subordinate Net Revenues. No bankruptcy, insolvency or other similar proceedings pertaining to the City or any agency or instrumentality of the City are pending or presently contemplated.

Section 5.8. No Public Vote or Referendum. To the best knowledge of the City, there is no public vote or referendum pending, proposed or concluded, the results of which could in any way have a Material Adverse Effect.

Section 5.9. No Immunity. Under existing law, the City is not entitled to raise the defense of sovereign immunity in connection with any legal proceedings to enforce or collect upon this Agreement or the transactions contemplated thereby, including the payment of the Obligations; *provided, however,* that the procedural requirements applicable to commencing an action against the City differ from those provisions and requirements applicable to individuals and non-governmental entities.

Section 5.10. Litigation. There is no action, suit or proceeding pending in any court, any other governmental authority with jurisdiction over the City or the Enterprise or any arbitration in which service of process has been completed against the City or the Enterprise or, to the

knowledge of the City, any other action, suit or proceeding pending or threatened in any court, any other governmental authority with jurisdiction over the City or the Enterprise or any arbitrator, in either case against the City or the Enterprise or any of their respective properties or revenues, or the Subordinate Trust Indenture or any of the Related Documents, which if determined adversely to the City would adversely affect the legality, validity or enforceability of the Subordinate Trust Indenture or any of the Related Documents or the rights and remedies of the Bank under any of the Related Documents or which is reasonably likely to have a Material Adverse Effect, except for any action, suit or proceeding (i) described in the Offering Memorandum, or (ii) which has been brought prior to the Closing Date as to which the Bank has received an opinion of counsel satisfactory to the Bank, in form and substance satisfactory to the Bank and its counsel, to the effect that such action, suit or proceeding is without substantial merit.

Section 5.11. Disclosure. To the best knowledge of the City, neither the Related Documents nor any other document, certificate or statements of the City (including the unaudited financial statements, reports, budgets, projections and cash flows of the City and the Enterprise furnished to the Bank by or on behalf of the City in connection with the transactions contemplated hereby or thereby) contains any untrue statement of any material fact.

Section 5.12. Financial Information. The City has delivered to the Bank a copy of the audited financial statements for the City and the Enterprise for the fiscal year ended September 30, 2003. These together with related notes, fairly present the financial position and results of operation of the City and the Enterprise as of the date and for the periods therein set forth. All such financial statements have been prepared in accordance with generally accepted accounting principles for government entities consistently applied. There has been no material adverse change in the financial position, results of operations or projections of revenues of the Enterprise since September 30, 2003, except as disclosed in writing to the Bank prior to the date hereof, which would be reasonably likely to result in a Material Adverse Effect. The City has no material contingent liabilities or other material contracts or commitments payable from Subordinate Net Revenues which are not reflected in such financial statements previously delivered to the Bank or in the notes thereto.

Section 5.13. Official Signatures. The Authorized City Representative, on behalf of the City, has full power and authority to execute, deliver and perform under each of the Related Documents. Any agreement, certificate or request signed by or on behalf of any Authorized City Representative of the City and delivered to a Dealer, the Issuing and Paying Agent or the Bank shall be deemed a representation and warranty by the City to the Bank as to the truth, accuracy and completeness of the statements made by the City therein.

Section 5.14. Incorporation of Representations and Warranties by Reference. The City hereby makes to the Bank the same representations and warranties made by the City in each Related Document, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Bank with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. Except as permitted by Section 6.15 hereof, no amendment to such representations and

warranties or defined terms made pursuant to any Related Document shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Environmental Matters. To the best knowledge of the City, the operations of the Enterprise are in compliance with all of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations and are not the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, where a failure to comply with any such requirement or the need for any such remedial action would have a Material Adverse Effect.

Section 5.16. No Maximum Rate. Under current law, the interest rate payable on Advances hereunder is not subject to any limitation under the laws or constitution of the State of California.

Section 5.17. Security. The Subordinate Trust Indenture creates, for the benefit of the Commercial Paper Notes and the Obligations, the legally valid, binding and irrevocable lien on and pledge of the Subordinate Net Revenues. There is no lien on the Subordinate Net Revenues other than the liens created by the Senior Lien Contract and the Subordinate Trust Indenture. The Subordinate Trust Indenture does not permit the issuance of any debt secured by the Subordinate Net Revenues to rank senior to the Commercial Paper Notes or the Obligations, other than the Senior Lien Obligations. The payment of the Obligations ranks on a parity with the payment of the principal of and interest on the Subordinated Obligations and is not subordinate to any payment secured by a lien on the Subordinate Net Revenues or any other claim other than payments with respect to the principal of and interest on the Senior Lien Obligations and the funding of reserves therefor as set forth in the Senior Lien Contract, and is prior as against all other Persons having claims of any kind in tort, contract or otherwise, whether or not such Persons have notice of such lien. No filing, registration, recording or publication of the Senior Lien Contract, the Subordinate Trust Indenture, the Supplemental Subordinate Trust Indenture or any other instrument is required to establish the pledge provided for thereunder or to perfect, protect or maintain the lien created thereby on the Subordinate Net Revenues to secure the Commercial Paper Notes and the Obligations.

ARTICLE SIX COVENANTS

The City will do the following so long as any amounts may be drawn under the Letter of Credit or any Obligations remain outstanding under this Agreement, unless the Bank shall otherwise consent in writing:

Section 6.1. Maintenance of Existence. To the extent permitted by law, the City shall use its best efforts to maintain its existence pursuant to the Charter and the laws of the State of California and at all times maintain its ownership of the Airport.

Section 6.2. Reports, Certificates and Other Information. The City shall furnish or cause to be

furnished to the Bank copies of:

(a) As soon as available, the annual audited financial statements for the City and the Enterprise together with the opinion of the City's independent accountants and a certificate demonstrating compliance with Section 6.7 hereof;

(b) As soon as available, and upon the written request of the Bank, the semi-annual unaudited budget variance reports for the Enterprise;

(c) As soon as available, but in any event within 90 days following the approval thereof, the Airport Budget and annual appropriation resolution for the City and the Enterprise;

(d) As soon as available, all notices, certificates, instruments, letters and written commitments in connection with the Commercial Paper Notes provided to the Issuing and Paying Agent other than those notices, certificates, instruments, letters and written commitments that relate solely to the routine issuance and payment of the Commercial Paper Notes;

(e) As soon as available, any disclosure documents distributed in connection with the issuance of any indebtedness;

(f) (i) Promptly upon obtaining knowledge of any Default or Event of Default, or notice thereof, and within three days thereafter, a certificate signed by an Authorized City Representative specifying in reasonable detail the nature and period of existence thereof and what action the City has taken or proposes to take with respect thereto and (ii) promptly following a written request of the Bank, a certificate of an Authorized City Representative of the City as to the existence or absence, as the case may be, of a Default or an Event of Default under this Agreement;

(g) As promptly as practicable, written notice to the Bank of all litigation served against the City and all proceedings before any court or governmental authority which could reasonably be expected to have a Material Adverse Effect; and

(h) Such other publicly available information regarding the affairs and condition of the City and the Enterprise as the Bank may from time to time reasonably request.

Section 6.3. Maintenance of Books and Records. The City will keep, and cause the Enterprise to keep, proper books of record and account in which full, true and correct entries in accordance with the City's and the Enterprise's budget basis accounting principles and reporting practices will be made of all dealings or transactions in relation to its activities.

Section 6.4. Access to Books and Records. To the extent permitted by law, the City will permit any Person designated by the Bank (at the expense of the Bank) to visit any of the offices of the City and the Enterprise to examine the books and financial records (except books and financial records the examination of which by the Bank is prohibited by law), including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or

extracts therefrom, and to discuss the affairs, finances and accounts of the City and the Enterprise with their principal officials, all at such reasonable times and as often as such Bank may reasonably request.

Section 6.5. Compliance with Documents. The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in each of the Related Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable against the City. To the extent that any such incorporated provision permits the City, the holders of one or more Commercial Paper Notes or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the City, the holders of one or more Commercial Paper Notes or any other party, for purposes of this Agreement, such provision shall be complied with unless it is specifically waived by the Bank in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank which shall only be evidenced by the written approval by the Bank of the same. Except as permitted by Section 6.15 hereof, no termination or amendment to such covenants and agreements or defined terms or release of the City with respect thereto made pursuant to any of the Related Documents, shall be effective to terminate or amend such covenants and agreements and defined terms or release the City with respect thereto in each case as incorporated by reference herein without the prior written consent of the Bank. Notwithstanding any termination or expiration of any such Related Document, the City shall, unless such Related Document has terminated in accordance with its terms and has been replaced by a new Related Document, continue to observe the covenants therein contained for the benefit of the Bank until the termination of this Agreement. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

Section 6.6. Compliance with Law. The City shall comply with and observe the obligations and requirements set forth in the Constitution of the State of California and in all statutes and regulations binding upon it relating to the Enterprise, the Senior Lien Contract and the Related Documents.

Section 6.7. Rate Covenant. The City shall establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Enterprise and for services rendered in connection therewith, during each Fiscal Year, which are at least sufficient to yield Revenues in an amount necessary to satisfy the provisions of Section 5.04 of the Subordinate Trust Indenture.

Section 6.8. Further Assurances. From time to time hereafter, the City will execute and deliver such additional instruments, certificates or documents, and will take all such actions as the Bank may reasonably request for the purposes of implementing or effectuating the provisions of the Related Documents or for the purpose of more fully perfecting or renewing the rights of the Bank with respect to the rights, properties or assets subject to such documents (or with respect to

any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by the City which may be deemed to be a part thereof). Upon the exercise by the Bank of any power, right, privilege or remedy pursuant to the Related Documents which requires any consent, approval, registration, qualification or authorization of any governmental authority or instrumentality, the City will, to the extent permitted by law, execute and deliver all necessary applications, certifications, instruments and other documents and papers that the Bank may be required to obtain for such governmental consent, approval, registration, qualification or authorization.

Section 6.9. No Impairment. The City will neither take any action, nor cause the Issuing and Paying Agent to take any action, under the Senior Lien Contract or any Related Document which would materially adversely affect the rights, remedies or security of the Bank under this Agreement or any other Related Document or which could result in a Material Adverse Effect.

Section 6.10. Application of Note Proceeds. The City will not take or omit to take any action, which action or omission will in any way result in the proceeds from the sale of the Commercial Paper Notes being applied in a manner other than as provided in the Resolution and the Issuing and Paying Agent Agreement. The City agrees not to authorize, instruct or permit the Issuing and Paying Agent to authenticate and deliver Commercial Paper Notes at any time when any Advance is outstanding unless the proceeds of the sale of such Commercial Paper Notes are to be applied on the sale date to repay either (i) such Advance (together with all accrued and unpaid interest thereon) or (ii) principal of and accrued interest on concurrently maturing Commercial Paper Notes.

Section 6.11. Application of Drawings. The City will not take or omit to take any action, which action or omission will in any way result in the proceeds of the Drawings being applied for any purpose other than to pay principal and interest on Commercial Paper Notes on their maturity dates.

Section 6.12. Issuing and Paying Agent. The City will not, without the prior written consent of the Bank, which consent shall not be unreasonably withheld, (i) remove, or seek to remove, the Issuing and Paying Agent or (ii) appoint or consent to the appointment of any successor thereto.

Section 6.13. Limitation on Additional Debt. The City will not issue any additional indebtedness payable from or secured by Subordinate Net Revenues unless the City provides the Bank with the certifications required by Section 2.11(a) or 2.11(b) of the Subordinate Trust Indenture. Notwithstanding the foregoing, the City will issue no additional indebtedness which is to be secured by Subordinate Net Revenues while any Advance is outstanding unless all outstanding Advances are to be paid in full from the proceeds of such additional indebtedness.

Section 6.14. Maintenance of Tax-Exempt Status of Commercial Paper Notes. The City will not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest from gross income for purposes of federal income taxation or the exemption of such interest from State of California personal income taxes on the Series A Notes or the Series B Notes.

Section 6.15. Amendments to Senior Lien Contract and Related Documents. The City will not amend or modify, or permit to be amended or modified in any manner whatsoever (i) Section 4.02, 4.03 or 5.14 of the Senior Lien Contract without the prior written consent of the Bank, nor shall it amend, modify or supplement any other provision of the Senior Lien Contract (other than those set forth above) in a manner which would have a material adverse effect upon the City's ability to perform its obligations under this Agreement or to repay indebtedness (including commercial paper) that is secured by the Subordinate Net Revenues or which adversely affects the security for the Commercial Paper Notes or the Bank Note or the City's ability to repay when due the Obligations or the rights or remedies of the Bank under the Subordinate Trust Indenture, the Related Documents or hereunder without the prior written consent of the Bank, (ii) Sections 2.11, 2.12, 4.01, 5.03, 5.04 and 5.06 of the Subordinate Trust Indenture, without the prior written consent of the Bank, nor shall it amend, modify or supplement any other provision of the Subordinate Trust Indenture (other than those set forth above) in a manner which would have a material adverse effect upon the City's ability to perform its obligations under this Agreement or repay indebtedness (including commercial paper) that is secured by the Subordinate Net Revenues or which adversely affects the security for the Commercial Paper Notes or the Bank Note or the City's ability to repay when due the Obligations or the rights or remedies of the Bank under the Subordinate Trust Indenture, the Related Documents or hereunder without the prior written consent of the Bank, or (iii) any other Related Document without the prior written consent of the Bank. Notwithstanding the foregoing, the City shall be entitled to enter into one or more supplements to the Senior Lien Contract and the Subordinate Trust Indenture in order to issue or incur additional debt so long as the City complies with the provisions of Section 4.03 of the Senior Lien Contract and Section 2.11 of the Subordinate Trust Indenture, respectively, and Section 6.13 hereof, and the issuance of such indebtedness would not otherwise result in a Default or an Event of Default.

Section 6.16. Liens The City will not create, incur or permit to exist any Lien of any kind on the Net Revenues other than as expressly provided in or permitted by the Senior Lien Contract or the Subordinate Trust Indenture.

Section 6.17. Provisions to Facilitate Payments The City shall cause to be included in each annual budget of the City, reasonable provisions for the payment of all amounts due and estimated to become due to the Bank under this Agreement and the other Related Documents during the Fiscal Year covered by such budget. To the extent estimates are used, such estimates shall be made in good faith and shall be based upon reasonable estimates of the amount of Senior Lien Obligations and Subordinate Obligations expected to be outstanding, and the interest rates reasonably expected to be charged during the coming Fiscal Year for the remaining term of the Senior Lien Obligations and Subordinate Obligations. To the extent that amounts actually due and payable to the Bank under this Agreement and the other Related Documents in any Fiscal Year exceed the amounts estimated and/or available therefor in an annual budget of the City, for such Fiscal Year, the City shall take, or cause to be taken, as promptly as possible, all such actions (including, without limitation, amendments of such annual budget) as may be required to permit and facilitate the expenditure of additional moneys from all sources legally available for the payment of such amounts.

Section 6.18. Credit Facilities. In the event that the City shall, directly or indirectly, enter into or otherwise consent to any amendment, supplement or other modification of any subordinate Credit Facility or other credit agreement, bond purchase agreement, reimbursement agreement or other agreement or instrument under which, directly or indirectly, any Person or Persons undertake to make or provide funds to make payment of, or to purchase, Subordinate Obligations which includes covenants not included in this Agreement or covenants that are more restrictive as to the City than those contained in this Agreement, this Agreement shall be deemed to be amended to include such additional or more restrictive covenants.

~~*Section 6.19. Legal Capacity to Issue Subordinate Lien Obligations* The City covenants to at all times maintain, within the limitations of the Subordinate Trust Indenture, sufficient legal capacity to issue Subordinate Obligations sufficient to refinance the Commercial Paper Notes; provided that nothing herein requires the City to issue Subordinate Obligations for such purpose.~~

~~*Section 6.20. Payment of Obligations.* The City will use any legally available funds, including the proceeds of additional Senior Lien Obligations or Subordinate Obligations, to pay all outstanding Obligations owed to the Bank on the later of (i) the Termination Date or (ii) the maturity date of any Advance.~~

ARTICLE SEVEN DEFAULTS

Section 7.1. Events of Default and Remedies. If any of the following events shall occur, each such event shall be an “*Event of Default*”:

(a) any representation or warranty made by the City in this Agreement (or incorporated herein by reference) or any representation or warranty made by the City in any of the other Related Documents or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with this Agreement or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect;

(b) any “*event of default*” shall have occurred under any of the Related Documents (as defined respectively therein);

(c) failure of the City to pay when due (i) any Reimbursement Obligation or fee payable pursuant to Section 2.5 hereof or (ii) any other Obligation and such failure continues for a period of three (3) Business Days;

(d) default in the due observance or performance by the City of any covenant set forth in Section 6.1, 6.5, 6.9, 6.13, 6.14, 6.15, 6.16 or 6.17 (after any applicable grace period under any Related Document) hereof;

(e) default in the due observance or performance by the City of any other term, covenant or agreement set forth in this Agreement and the continuance of such default for 30 days after the occurrence thereof; *provided, however,* that if compliance cannot reasonably be achieved within such thirty (30) day period, such period can be extended for up to a maximum of an additional 30 days if the City in good faith has diligently commenced and is continuously pursuing corrective action necessary to cure such default.

(f) any material provision of this Agreement or any of the Related Documents shall cease to be valid and binding, or the City shall contest any such provision, or the City or any agent or trustee on behalf of the

City shall deny that it has any or further liability under this Agreement or any of the Related Documents,

(g) the City shall fail to make any payment in respect of any Senior Lien Obligations or Subordinate Obligations or any other Debt secured by a lien, charge or encumbrance on Net Revenues (collectively, the "Secured Debt") when due (including the Commercial Paper Notes) (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), or default in the observance or performance of any condition or agreement relating to any Secured Debt or in any instrument evidencing, securing or relating thereto, or any other event or condition shall occur which results in the acceleration of the maturity of any Secured Debt or enables (or with the giving of notice or lapse of time, or both, would enable) the holder of such Secured Debt or any Person acting on such holder's behalf to accelerate the maturity thereof; or

(h) one or more judgments against the City for the payment of money payable out of Net Revenues or attachments against the property of the City which is used by or in conjunction with the Enterprise or which constitutes Net Revenues, the operation or result of which, individually or in the aggregate, equal or exceed \$1,000,000 shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of 60 days; or

(i) the City shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to it or the Enterprise or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or the Enterprise or any substantial part of its Property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action to authorize any of the foregoing; or the State of California or any other governmental authority having jurisdiction over the City imposes a debt moratorium, debt restructuring, or comparable restriction on repayment when due and payable of the principal of or interest on any Debt by the City; or an involuntary case or other proceeding shall be commenced against the City seeking liquidation, reorganization or other relief with respect to it or the Enterprise or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or the Enterprise or any substantial part of its Property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the City under the federal bankruptcy laws as now or hereafter in effect;

(j) any event of default under and as defined in the Senior Lien Contract or the Subordinate Trust Indenture or in any other ordinance or resolution authorizing the issuance of Senior Lien Obligations or Subordinate Obligations shall have occurred and be continuing;

(k) the Lien created by the Senior Lien Contract, the Subordinate Trust Indenture, by any Supplemental Subordinate Trust Indenture or Section 8.16 hereof shall at any time and for any reason not constitute a valid and perfected Lien on the Net Revenues or Pledged Funds with the priority purported to be created thereby or hereby, or the City shall so assert in writing; or

(l) the occurrence of any Investment Grade Downgrade Event.

Section 7.2. Remedies. Upon the occurrence of any Event of Default the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) by notice to the City, declare all Obligations (other than the Commercial Paper Notes) to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or

other notice of any kind, all of which are hereby waived by the City; *provided* that upon the occurrence of an Event of Default under Section 7.1(i) hereof such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(b) by notice of the occurrence of any Event of Default to the Issuing and Paying Agent (which notice shall constitute a "Stop-Issuance Notice" for purposes of the Issuing and Paying Agent Agreement) prohibit, until such time, if any, as the Bank shall withdraw (in writing) such notice, the issuance of additional Commercial Paper Notes, reduce the Stated Amount of a Letter of Credit to the amount of the then Outstanding Commercial Paper Notes supported by such Letter of Credit and interest payable thereon at maturity of such Commercial Paper Notes and/or terminate such Stated Amount as the then Outstanding Commercial Paper Notes are paid;

(c) pursue any rights and remedies it may have under the Related Documents; or

(d) pursue any other action available at law or in equity.

ARTICLE EIGHT MISCELLANEOUS

Section 8.1. No Deductions; Increased Costs. (a) Except as otherwise required by law, each payment by the City to the Bank under this Agreement or any other Related Document shall be made without setoff or counterclaim and without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient imposed by any jurisdiction having control of such recipient) imposed by or within the jurisdiction in which the City is domiciled, any jurisdiction from which the City makes any payment hereunder, or (in each case) any political subdivision or taxing authority thereof or therein. If any such withholding is so required, the City shall make the withholding, pay the amount withheld to the appropriate Governmental Authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by the Bank free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which the Bank would have received had such withholding not been made. If the Bank pays any amount in respect of any such taxes, penalties or interest, the City shall reimburse the Bank for that payment on demand. If the City pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Bank on or before the thirtieth day after payment.

(b) If the Code or any newly adopted law, treaty, regulation, guideline or directive, or any change in any law, treaty, regulation, guideline or directive or any new or modified interpretation of any of the foregoing by any authority or agency charged with the administration or interpretation thereof or any central bank or other fiscal, monetary or other authority having jurisdiction over Bank or the transactions contemplated by this Agreement (whether or not having the force of law) shall:

(i) limit the deductibility of interest on funds obtained by such Bank to pay any of its liabilities or subject the Bank to any tax, duty, charge, deduction or withholding on or with respect to payments relating to the Commercial Paper Notes, the Letters of Credit or this Agreement, or any amount paid or to be paid by the Bank as an issuer of the Letter of Credit (other than any tax measured by or based upon the overall net income of the Bank imposed by any jurisdiction having control over the Bank);

(ii) impose, modify, require, make or deem applicable to the Bank any reserve requirement, capital requirement, special deposit requirement, insurance assessment or similar requirement against any assets held by, deposits with or for the account of, or loans, letters of credit or commitments by, an office of such Bank;

(iii) change the basis of taxation of payments due the Bank under this Agreement or the Commercial Paper Notes (other than by a change in taxation of the overall net income of the Bank);

(iv) cause or deem letters of credit to be assets held by the Bank and/or as deposits on its books; or

(v) impose upon the Bank any other condition with respect to any amount paid or payable to or by the Bank or with respect to this Agreement or any of the other Related Documents;

and the result of any of the foregoing is to increase the cost to the Bank of making any payment or maintaining the Letter of Credit, or to reduce the amount of any payment (whether of principal, interest or otherwise) receivable by the Bank, or to reduce the rate of return on the capital of such Bank or to require such Bank to make any payment on or calculated by reference to the gross amount of any sum received by it, in each case by an amount which such Bank in its reasonable judgment deems material, then:

(1) the Bank shall promptly notify the City in writing of such event;

(2) the Bank shall promptly deliver to the City a certificate stating the change which has occurred or the reserve requirements or other costs or conditions which have been imposed on the Bank or the request, direction or requirement with which it has complied, together with the date thereof, the amount of such increased cost, reduction or payment and a reasonably detailed description of the way in which such amount has been calculated, and the Bank's determination of such amounts, absent fraud or manifest error, shall be conclusive; and

(3) the City shall pay to the Bank, from time to time as specified by the Bank, such an amount or amounts as will compensate the Bank for the additional cost, reduction or payment.

(c) In addition to (but without duplication of) the foregoing, if after the date hereof any Bank determines that (i) compliance with any judicial, administrative, or other governmental interpretation of any law or regulation or (ii) compliance by the Bank or by any corporation controlling the Bank with any guideline or request from any Governmental Authority (whether or not having the force of law) has the effect of requiring an increase in the amount of capital required or expected to be maintained by the Bank or any corporation controlling such Bank, and such Bank reasonably determines that such increase is based upon its obligations hereunder, and other similar obligations, the City shall pay to the Bank such additional amount as shall be certified (in the form of a certificate referenced in Section 8.1(b)(2) hereof) by the Bank to be the amount reasonably allocable to the obligations of the City hereunder. The Bank shall notify the City of any event occurring after the date of this Agreement that will entitle the Bank to compensation pursuant to this Section 8.1(c) as promptly as practicable after the Bank obtains knowledge thereof and determines to request such compensation. Determinations by the Bank for purposes of this Section 8.1(c) of the effect of any increase in the amount of capital required shall, in the absence of manifest error, be conclusive as to the amount thereof, provided such

determinations are made on a reasonable basis.

(d) The protection of Sections 8.1(b) and 8.1(c) hereof shall be available to the Bank regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which has been imposed; *provided, however*, that if it shall be later determined that any amount so paid by the City pursuant to Section 8.1(b) or 8.1(c) hereof is in excess of the amount payable under the provisions hereof, such Bank shall refund such excess amount to the City as soon as practicable. Notwithstanding anything in Section 8.1(b) or 8.1(c) hereof to the contrary, if such costs are to be incurred on a continuing basis and the Bank shall so notify the City in writing as to the amount thereof, such costs shall be paid by the City to the Bank quarterly in arrears. Notwithstanding the foregoing, the City shall have no liability to the Bank for payment of amounts due pursuant to this Section 8.1 to the extent the Bank had actual knowledge of such costs more than sixty (60) days prior to the date on which the above-described certificate is given to the City.

Section 8.2. Right of Setoff; Other Collateral. (a) Upon the occurrence and during the continuance of an Event of Default, the Bank is hereby authorized at any time and from time to time without notice to the City (any such notice being expressly waived by the City), and to the fullest extent permitted by law, to setoff, to exercise any banker's lien or any right of attachment and apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies at any time held and other indebtedness at any time owing by such Bank to or for the account of the City (irrespective of the currency in which such accounts, monies or indebtedness may be denominated and the Bank is authorized to convert such accounts, monies and indebtedness into United States dollars) against any and all of the Obligations of the City whether or not the Bank shall have made any demand for any amount owing to the Bank by the City.

(b) The rights of the Bank under this Section 8.2 are in addition to, in augmentation of, and, except as specifically provided in this Section 8.2, do not derogate from or impair other rights and remedies (including, without limitation, other rights of setoff) which the Bank may have.

Section 8.3. Indemnification. In addition to any other amounts payable by the City under this Agreement, the City hereby agrees, to the extent permitted by law, to indemnify and hold harmless the Bank, its officers, directors, employees and agents (each an "Indemnified Party") promptly upon demand, in respect of all claims, demands, liabilities, damages, losses, reasonable costs, reasonable charges and reasonable expenses (including reasonable attorneys' fees) that the Bank may incur or be subject to solely as a direct consequence of (i) the issuance of the Letter or Credit or the making of any Advance by the Bank hereunder, (ii) any breach by the City or any official of the City of any warranty, covenant, term or condition in, or the occurrence of any default under, this Agreement or any Related Document, including all reasonable fees or expenses resulting from the settlement or defense of any claims or liabilities arising as a result of any such breach or default, and (iii) involvement in any legal suit, proceeding or action as to which the Bank is involved solely as a direct consequence of its issuance of the Letter of Credit or the making of any Advance by the Bank hereunder, the holding or owning of any Commercial Paper Note, its execution of this Agreement or any other event or transaction contemplated by