



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 22, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

**SUBJECT: Resolution Authorizing the Establishment of a Commercial Paper Note Program
(District 5)**

DISCUSSION

To ensure that the City continues to comply with state and federal mandates regarding airport operation and safety, the Public Works Department has developed a 6-year Capital Improvement Program (CIP) to rehabilitate and replace aging airport infrastructure. Projects in the CIP include Terminal Apron Rehabilitation, Airfield Pavement Rehabilitation, Noise Monitoring System Rehabilitation, Airport Security Access Control, Parking Rehabilitation, and replacement of aging Aircraft Rescue and Fire Fighting vehicles and equipment. The attachment provides a summary project listing. The Airport Enterprise Fund does not currently contain sufficient cash to finance these projects. Short-term financing using an Airport Commercial Paper Program is being proposed that would provide funds necessary to complete critical projects. Failure to complete the runway and taxiway rehabilitations could result in costly unscheduled emergency closures and repairs similar to those experienced with Runway 12-30 in December 2002.

None of the construction projects are part of the Terminal Area Improvements Environmental Impact Report (EIR), nor are they improvements that would increase passenger capacity at the Airport.

The City of Long Beach Public Works Department, Airport Bureau, proposes to issue up to \$15,000,000 of variable-rate, Airport Projects Commercial Paper Notes for short-term financing of qualified Airport capital projects. A Commercial Paper Note Program is an effective short-term financing tool by which the City can draw funds for project cash flow requirements by issuing Commercial Paper Notes to investors on an as-needed basis. Low, variable-rate interest is paid on the outstanding notes. The notes need to be remarketed frequently, based on the particular maturities, which may vary from 1 to 270 days. Since Commercial Paper Notes are short-term, they are anticipated to be eventually paid off through a combination of cash and/or possibly long-term bonds.

The City has received approval from the FAA to collect PFCs for specific CIPs through FY 09. It is estimated that \$4.2 million of PFC revenue will be collected annually to pay for those approved projects. However, it is necessary to initiate many of these projects prior to collecting PFC revenue over the next 5 years due to the deteriorated airport infrastructure. In addition, other projects will be paid for using FAA entitlement grant funds. These projects need to be started as soon as possible, but the reimbursement from the entitlement funds will not typically be available until the end of each fiscal year. These are two circumstances that result in the need to borrow on a short-term basis.

Debt incurred for the FAA entitlement grant funded projects will be repaid annually upon receipt of grant funds; debt incurred for the PFC funded projects will be paid as PFC revenue is realized and fully paid by FY 10, or sooner if possible should long-term financing be secured.

Upon City Council approval of the Airport Commercial Paper Program, the Public Works Department will still be required to obtain City Council approval for the projects through the formal adoption of plans and specifications, and authorizing the award of construction contracts prior to initiating and committing the use of Commercial Paper.

The action requested today will allow staff to proceed with assembling necessary legal and financial documents necessary to create the Commercial Paper Program. The documents will be brought back to the City Council for final approval within 90 days prior to establishing the Program.

This item was reviewed by Assistant City Attorney Heather A. Mahood on June 16, 2004.

TIMING CONSIDERATIONS

City Council action on this item is requested on June 22, 2004 so funding can be in place in the next few months. Initiation of the associated Capital Improvement Projects cannot begin until this financing is in place.

FISCAL IMPACT

There is no impact on the General Fund as this relates to projects within the Airport Enterprise Fund (EF 320) and will be repaid by PFC revenue and FAA entitlement funds.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Adopt the attached Resolution Authorizing the City Manager to proceed with document preparation for the establishment of a Commercial Paper Note Program of up to \$15,000,000 on behalf of the City of Long Beach Department of Public Works.

Respectfully submitted,



CHRISTINE F. ANDERSEN
DIRECTOR OF PUBLIC WORKS



MICHAEL A. KILLEBREW
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

CFA:MAK:CK

Attachment

APPROVED:


for CHRISTINE F. SHUPP
GERALD R. MILLER
CITY MANAGER

**Department of Public Works
Airport Bureau
Capital Improvement Projects Summary**

Project Description

The following paragraphs provide an overview of the Capital Improvement Projects (CIP) planned for the Airport for FY04 through FY07.

PW1020—Airfield Lighting and Sign Rehabilitation. This project is the final phase of the Taxiway D reconstruction that was substantially completed in FY03. The remaining work is the installation of a Precision Approach Path Indicator (PAPI) light system on Runway 25L.

PW1030—Airport Terminal Area Rehabilitation. Increased passenger traffic has severely strained existing terminal facilities. The largest project is an electrical system replacement to provide adequate electrical service to the terminal area and airfield. The replacement design is completed and work is expected to begin in the fourth quarter of FY04. Other terminal area projects in FY04-05 include replacing the Public Address system (nearing completion), installation of temporary restrooms, ADA ramps, pavement repairs in the terminal area and parking lots, and canopies over temporary outdoor baggage claim and passenger queuing areas. A significant portion of the funding for these projects will come from Airport revenue.

PW1040—Terminal Apron Rehabilitation. This series of projects addresses short-term pavement failures and other immediate needs on the air carrier ramp, as well as beginning the improvements required to enhance safety. This work will also address drainage-related issues and reduce vehicular activity and emissions by providing in-ground electrical connections for parked aircraft. Projects scheduled in FY04 and FY05 include dust covers, relocate south air carrier ramp fence line, Pad 8 Lighting, and design of the ramp reconstruction. The reconstruction will be done in phases beginning in FY05. Reconstruction of the ramp will require a total funding commitment of \$15–\$20 million utilizing FAA Entitlement/Discretionary and PFC funds and is anticipated to be completed by the end of FY08.

PW1070—Airfield Pavement Rehabilitation. Several heavily used taxiways, as well as perimeter road and access roads are currently showing signs of pavement distress and failure, and require rehabilitation. These projects also include significant safety modifications to maintain airfield safety. Taxiway D and Taxiway F/B are both nearing completion. The full strength islands between the ramp and Taxiway C and Taxiway at West End of 25L will be designed in FY04 and reconstructed in FY05. Taxiways J, C and K will be designed in FY 05 and reconstructed in FY06. Perimeter road reconstruction is ongoing. PFC will fund most of the projects, however, the projects will be completed before sufficient PFC revenue is collected to cover project expenditures. Also included are projects such as the rehabilitation of Runways 16/34 (both L and R), for which no funding source has been identified.

PW 1071- Rehabilitation of Runway 12-30. This is the largest single project at the Airport in FY04 and 05. The runway was built in the 1950s, overlaid in 1978, and showed signs of major pavement distress. Rehabilitation is underway to avoid the much higher cost of complete reconstruction. The project also includes significant safety modifications to associated safety areas, lighting, signage and connecting taxiways. Reconstruction began in December 2003, and is scheduled to be completed by December 2004. Total cost of the project is estimated to be \$35 million.

PW1130—Airport Security Access Control. Increased passenger traffic, rapidly evolving security requirements and temporary facilities have severely taxed the Airport's aging Security and Access Control System (SACS). Cost of repairing the outdated system is increasingly exorbitant, and parts are difficult to find. Design for the SACS began in the second quarter of FY04, with reconstruction and installation beginning in the fourth quarter of FY04. The Airport plans to utilize \$1.36M from an Urban Area Securities Initiative (UASI) federal grant, FY04 AIP, and PFC to fund this high priority project. PW1130 also includes replacement of three Aircraft Rescue and Fire Fighting (ARFF) vehicles. The vehicles are well beyond their service lives, and are overdue for replacement. One vehicle is experiencing major mechanical problems that cannot be repaired. The Airport plans to dedicate a portion of its FY04 AIP entitlement funds to replacement of one of these vehicles.

PW1180—Parking Lot Improvements. Existing parking lots are being used to capacity during peak periods. They are in need of pavement repairs and lighting improvements. Additionally, the Airport extended Remote Lot D (the Boeing lot) to handle the passenger needs. Since these lots are revenue producing, they are not eligible for FAA or PFC funding.

ALP—Airport Layout Plan revision. FAA AIP and Airport Certification requirements mandate that the Airport regularly update its Airport Layout Plan (ALP). To ensure that the Airport continues to meet these requirements, and to provide City staff and Airport tenants and users with a complete, readily available planning document, a complete revision of the current ALP, in a layered, AutoCAD format is required. This work would be done in early FY05.

Conclusion

Without bridge financing the only significant projects to be addressed in the next several months include Runway 12-30 rehabilitation, the Taxiway F/B rehabilitation (both currently underway), and the electrical service replacement project. Below are projects that will have to be deferred if interim financing is not obtained. Deferral of these projects will result in the continued deterioration of Airport infrastructure, resulting in more costly repairs in the future.

- Terminal Area rehabilitation (PW1030) elevator, canopies, pedestrian access, emergency repairs FY04
- Relocate south air carrier ramp fence line (PW 1040) FY04
- Pad 8 lighting (PW1040) FY04
- Pavement rehabilitation (PW1070) FY04
- Air Carrier Ramp Optimization (PW 1070-00) FY04
- Full strength islands at Taxiway C (PW1070-00) FY05
- Air Carrier ramp reconstruction (PW1070-00) FY05
- Runway 16L/34R rehabilitation (PW1070) FY06
- Replacement of ARFF vehicles (PW1130) FY04
- Parking lots repairs and light improvements (PW1180) FY04
- ALP revision FY04
- Miscellaneous airfield pavement rehabilitation (PW1070) FY05
- Pavement rehabilitation of Taxiway C (PW1070) FY05
- Pavement rehabilitation of Taxiway K (PW1070) FY05
- Pavement rehabilitation of Runway 16R/34L (PW1070) FY07
- Pavement rehabilitation of Taxiway D north of Runway 7L (PW1071) FY05
- Pavement rehabilitation of Taxiways A/B north of Runway 30 (PW1071) FY06

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

1 RESOLUTION NO. C-

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH AUTHORIZING CITY AND
5 AIRPORT STAFF TO PROCEED WITH DOCUMENT
6 PREPARATION FOR THE ESTABLISHMENT OF A
7 COMMERCIAL PAPER PROGRAM FOR THE AIRPORT
8 ENTERPRISE FUND NOT TO EXCEED AN AGGREGATE
9 PRINCIPAL AMOUNT OF \$15 MILLION, THE SELECTION
10 OF ONE OR MORE BANKS TO PROVIDE ONE OR MORE
11 CREDIT FACILITIES FOR THE COMMERCIAL PAPER
12 PROGRAM, THE NEGOTIATION OF A REIMBURSEMENT
13 AGREEMENT OR OTHER AGREEMENT WITH SUCH
14 BANK, THE APPOINTMENT OF ONE OR MORE
15 COMMERCIAL PAPER DEALERS, THE APPOINTMENT
16 OF A TRUSTEE AND AN ISSUING AND PAYING AGENT
17 AND AUTHORIZING THE PUBLICATION OF A NOTICE
18 REGARDING A PUBLIC HEARING CONCERNING THE
19 ISSUANCE OF AIRPORT REVENUE COMMERCIAL
20 PAPER NOTES PURSUANT TO PLANS OF FINANCING
21 FOR CERTAIN AIRPORT PROJECTS AND APPROVING
22 AND AUTHORIZING RELATED DOCUMENTS, OFFICIAL
23 ACTIONS AND MATTERS

24
25 WHEREAS, the City of Long Beach (the "City") is a city organized and
26 existing under a charter duly and regularly adopted pursuant to the provisions of the
27 Constitution of the State of California; and

28 ///

Robert E. Staunton
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

1 WHEREAS, the City owns and operates the Long Beach Airport (the
2 "Airport"); and

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

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

11 WHEREAS, the City has determined that it is necessary and advisable to
12 establish a commercial paper program for the future financing and refinancing of the
13 needs of the Airport; and

14 WHEREAS, the City intends to issue and sell commercial paper notes
15 pursuant to the charter and a plan of financing for certain Airport projects (the
16 "Projects"), which Projects will be owned by the City; and

17 WHEREAS, the City has determined that it is in the best interests of the
18 City and the Airport to proceed with document preparation for the establishment of a
19 commercial paper program for the needs of the Airport, the selection of one or more
20 banks to provide credit support for the commercial paper program, the appointment of
21 one or more commercial paper dealers, the appointment of a trustee and an issuing
22 and paying agent and other matters associated with the establishment of a commercial
23 paper program for the Airport; and

24 WHEREAS, City staff estimates that the legal fees, financial advisor fees,
25 rating agency fees, bank fees and other costs of issuance that will be incurred in
26 connection with the establishment of such commercial paper program will not exceed
27 \$300,000; and

28 **////**

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2300

1 WHEREAS, in order to comply with Section 147(f) of the Internal Revenue
2 Code of 1986, as amended, the City wishes to authorize publication of a Notice of
3 Public Hearing;

4
5 NOW, THEREFORE, the City Council of the City of Long Beach resolves
6 as follows:

7 Section 1. Authorization. The City Manager or his designee, the City
8 Chief Financial Officer or his designee and the City Treasurer are hereby authorized,
9 empowered and directed to take such preliminary actions as they deem necessary and
10 appropriate with regards to the preparation of documents for the establishment of a
11 commercial paper program (which shall not exceed an aggregate principal amount of
12 \$15 million and shall be secured solely from Airport enterprise fund revenues) for the
13 purpose of financing the acquisition, construction, equipping and improving of the
14 Projects, including, but not limited to, the preparation of one or more master trust
15 indentures, one or more supplemental trust indentures, one or more offering
16 memoranda, negotiating with letter of credit banks and the application for bond ratings.

17 Sec. 2. Publication of Notice of Public Hearing. In order to comply
18 with Section 147(f) of the Internal Revenue Code of 1986, as amended, the City hereby
19 authorizes and directs City staff to provide for the publication of a Notice of Public
20 Hearing in one or more newspapers of general circulation available to the residents of
21 the City regarding the plan of financing involving the issuance of notes under the
22 commercial paper program, as may be approved by the City Manager or his designee,
23 the City Chief Financial Officer or his designee or the City Treasurer. Said public
24 hearing shall be held at such time as shall be determined by the City Manager or his
25 designee, the City Chief Financial Officer or his designee or the City Treasurer and
26 shall be conducted by the City Manager or his designee, the City Chief Financial Officer
27 or his designee or the City Treasurer or such other officer of the City as shall be
28 designated by the City Council.

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-5209

1 **Sec. 3. Official Actions.** The City Manager or his designee, the City
2 Chief Financial Officer or his designee, the City Treasurer, and the City Clerk and any
3 and all other officers of the City are hereby authorized and directed, for and in the name
4 and on behalf of the City, to do any and all things and take any and all actions,
5 including execution and delivery of any and all assignments, certificates, requisitions,
6 agreements, which they, or any of them, may deem necessary or advisable in order to
7 consummate the lawful establishment of a commercial paper program for the needs of
8 the Airport and the consummation of the transactions as described herein and
9 beneficial to the City otherwise to carry out, give effect to and comply with the terms
10 and intent of this resolution and the documents.

11 **Sec. 4. Services.** Inasmuch as the City shall require the services of
12 certain professionals in connection with the establishment of the commercial paper
13 program for the needs of the Airport, the City hereby appoints the law firm of Kutak
14 Rock LLP, as Bond Counsel, and Public Financial Management Inc., as Financial
15 Advisor, on such terms as shall be favorable to the City and approved by the City
16 Treasurer and the City Attorney, respectively.

17 **Sec. 5.** This resolution shall take effect immediately upon its
18 adoption by the City Council, and the City Clerk shall certify the vote adopting this
19 resolution.

20
21 I hereby certify that the foregoing resolution was adopted by the City
22 Council of the City of Long Beach at its meeting of _____, 2004, by

23 *////*
24 *////*
25 *////*
26 *////*
27 *////*
28 *////*

Robert E. Shanses
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2300

1 the following vote:

2 Ayes: Councilmembers: _____
3 _____
4 _____
5 _____

6 Noes: Councilmembers: _____
7 _____

8 Absent: Councilmembers: _____
9 _____
10 _____
11 _____

12 _____
13 City Clerk
14
15
16
17
18
19
20
21
22
23
24
25
26

27 HAM:s

6/14/04; rev. 6/17/04

L:\APPS\CityLaw\32\WPDOCS\ID014\VP003\00061510.WPD

28 #04-02604

1 RESOLUTION NO. C-

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

28 ///

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

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

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

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");

28 ////

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

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

1 similar import refer to this Resolution as a whole and not to any particular Section or
2 subdivision hereof; and words of the masculine gender shall mean and include words of
3 the feminine and neuter genders.

4 Sec. 25. Governing Law. This Resolution shall be construed and
5 governed in accordance with the laws of the State of California.

6 Sec. 26. Sec. This resolution shall take effect immediately upon its
7 adoption by the City Council, and the City Clerk shall certify the vote adopting this
8 resolution.

9 I hereby certify that the foregoing resolution was adopted by the City
10 Council of the City of Long Beach at its meeting of _____, 2004, by
11 the following vote:

12 Ayes: Councilmembers: _____

13 _____

14 _____

15 _____

16 Noes: Councilmembers: _____

17 _____

18 Absent: Councilmembers: _____

19 _____

20 _____
21 City Clerk

22
23
24
25
26
27 HAM:R
10/11/04
L:\APPS\CtyLaw32\WPDOCS\D014\PO04\00064876.WPD
28 #04-04143

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

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; INTERPRETATION3

ARTICLE II

FORM, EXECUTION, DELIVERY AND REGISTRATION OF SUBORDINATE OBLIGATIONS

Section 2.01. Issuance of Subordinate Obligations; Form; Dating24

Section 2.02. Terms, Medium and Place of Payment25

Section 2.03. Execution and Authentication25

Section 2.04. Subordinate Obligation Register26

Section 2.05. Mutilated, Lost, Stolen or Destroyed Subordinate Obligations26

Section 2.06. Registration and Transfer or Exchange of Subordinate Obligations; Persons Treated as Owners27

Section 2.07. Destruction of Subordinate Obligations28

Section 2.08. Temporary Subordinate Obligations28

Section 2.09. Issuance of Series or Subseries of Subordinate Obligations; Supplemental Subordinate Indenture; Application of Subordinate Obligation Proceeds28

Section 2.10. Refunding Subordinate Obligations30

Section 2.11. Test for Issuance of Subordinate Obligations30

Section 2.12. Repayment Obligations Afforded Status of Subordinate Obligations32

Section 2.13. Obligations Under Qualified Swap; Nonqualified Swap33

Section 2.14. Issuance of Initial Subordinate Obligations33

ARTICLE III

REDEMPTION OF SUBORDINATE OBLIGATIONS34

ARTICLE IV

REVENUES AND FUNDS

Section 4.01. Subordinate Obligations Secured by a Pledge and Lien on Subordinate Net Revenues.....34

Section 4.02. Authorization for Creation of Construction Fund35

Section 4.03. Creation and Funding of Debt Service Funds35

Section 4.04. Creation of Debt Service Reserve Funds; Additional Funds and Accounts.....37

Section 4.05.	Moneys Held in Trust for Matured Subordinate Obligations; Unclaimed Moneys	37
Section 4.06.	Additional Security	37

**ARTICLE V
COVENANTS OF THE CITY**

Section 5.01.	Payment of Subordinate Obligations	38
Section 5.02.	Performance of Covenants by City; Authority; Due Execution.....	38
Section 5.03.	Senior Lien Contract Covenants	38
Section 5.04.	Rate Covenant	38
Section 5.05.	No Inconsistent Contract Provisions	40
Section 5.06.	Junior and Subordinated Obligations	40
Section 5.07.	Maintenance of Powers	41
Section 5.08.	Maintenance and Operation of Enterprise.....	41
Section 5.09.	Accounts.....	41
Section 5.10.	Covenants of City Binding on City and Successors.....	42
Section 5.11.	Instruments of Further Assurance	42
Section 5.12.	Obligations Secured by Other Revenues.....	42
Section 5.13.	Indenture To Constitute a Contract	42

ARTICLE VI

INVESTMENTS	43
-------------------	----

ARTICLE VII

DEFEASANCE	43
------------------	----

**ARTICLE VIII
DEFAULTS AND REMEDIES**

Section 8.01.	Events of Default.....	45
Section 8.02.	Remedies	46
Section 8.03.	Restoration to Former Position	46
Section 8.04.	Holder's Right To Direct Proceedings	47
Section 8.05.	Limitation on Right To Institute Proceedings	47
Section 8.06.	No Impairment of Right To Enforce Payment	47
Section 8.07.	Proceedings by Trustee Without Possession of Subordinate Obligations	47
Section 8.08.	No Remedy Exclusive.....	48

Section 8.09.	No Waiver of Remedies	48
Section 8.10.	Application of Moneys.....	48
Section 8.11.	Severability of Remedies	49
Section 8.12.	Additional Events of Default and Remedies	49

ARTICLE IX

TRUSTEE, PAYING AGENT AND CO-PAYING AGENTS; REGISTRAR

Section 9.01.	Acceptance of Trusts	49
Section 9.02.	Duties of Trustee	49
Section 9.03.	Rights of Trustee	50
Section 9.04.	Individual Rights of Trustee.....	51
Section 9.05.	Trustee’s Disclaimer	51
Section 9.06.	Notice of Defaults	51
Section 9.07.	Compensation of Trustee	51
Section 9.08.	Eligibility of Trustee	51
Section 9.09.	Replacement of Trustee.....	52
Section 9.10.	Successor Trustee or Agent by Merger	52
Section 9.11.	Paying Agent	52
Section 9.12.	Registrar	53
Section 9.13.	Other Agents	53
Section 9.14.	Several Capacities	53
Section 9.15.	Accounting Records and Reports of the Trustee.....	53

ARTICLE X

MODIFICATION OF THIS INDENTURE

Section 10.01.	Limitations	54
Section 10.02.	Supplemental Subordinate Indentures Not Requiring Consent of Holders	54
Section 10.03.	Supplemental Subordinate Indenture Requiring Consent of Subordinate Obligation Holders.....	55
Section 10.04.	Effect of Supplemental Subordinate Indenture	57
Section 10.05.	Supplemental Subordinate Indentures To Be Part of This Indenture.....	58
Section 10.06.	Amendments to the Senior Lien Contract	58

ARTICLE XI

CREDIT PROVIDERS	58
------------------------	----

**ARTICLE XII
MISCELLANEOUS PROVISIONS**

Section 12.01.	Parties in Interest.....	59
Section 12.02.	Severability.....	59
Section 12.03.	No Personal Liability of City Members and Officials; Limited Liability of City to Holders	59
Section 12.04.	Execution of Instruments; Proof of Ownership.....	59
Section 12.05.	Governing Law.....	60
Section 12.06.	Holidays	60
Section 12.07.	Counterparts	60
Section 12.08.	Repeal of Inconsistent Resolutions	61

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



October 19, 2004

**FOR THE REMAINDER OF THE PAGES
FOR THIS AGENDA ITEM,
PLEASE CONTACT
THE LONG BEACH CITY CLERK DEPARTMENT AT

(562) 570-6101
(562) 570-6789 (FAX)
cityclerk@longbeach.gov**