

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series A Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series B Notes is included in gross income for federal income tax purposes. Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on Series A Notes and Series B Notes is exempt from State of California personal income taxes. For a more complete description, see "TAX MATTERS" herein.

\$[_____]
CITY OF LONG BEACH, CALIFORNIA
SUBORDINATE GAS UTILITY REVENUE COMMERCIAL PAPER NOTES
SERIES A
SERIES B (TAXABLE)

KUTAK ROCK LLP
DRAFT 6/27/05

The City of Long Beach, California Subordinate Gas Utility Revenue Commercial Paper Notes, Series A (the "Series A Notes") and Subordinate Gas Utility Revenue Commercial Paper Notes, Series B (Taxable) (the "Series B Notes," and collectively with the Series A Notes, the "Notes"), will be issued, from time to time, by the City of Long Beach (the "City") pursuant to the Master Subordinate Trust Indenture, dated as of July 1, 2005 (the "Master Subordinate Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"), and the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the "First Supplemental Subordinate Indenture" and together with the Master Subordinate Indenture, the "Subordinate Indenture"), by and between the City and the Trustee. The Notes are being issued to finance certain capital maintenance, improvements, additions and rehabilitation projects at the Long Beach Gas Utility. Proceeds from the Notes will also be used to pay all or a portion of the principal of and interest on the Notes when due, reimburse the Bank (as defined below) for any authorized draws under the Letter of Credit (as defined below), and to finance a portion of the costs of issuance. The aggregate outstanding principal amount of the Notes under the Subordinate Indenture may not exceed \$35,000,000.

Pursuant to the terms of the Reimbursement Agreement, dated as of July 1, 2005 (the "Reimbursement Agreement"), between the City and JPMorgan Chase Bank, N.A., successor by merger to Bank One, NA (the "Bank"), the Bank issued an irrevocable direct pay letter of credit (the "Letter of Credit"). Pursuant to the Letter of Credit, the Issuing and Paying Agent will make draws under the Letter of Credit to pay the principal of and interest on the Notes at maturity. The Letter of Credit is issued with a Maximum Stated Amount of \$_____ (representing principal and interest). The Letter of Credit expires on _____, 2010 unless earlier terminated or extended in accordance with its terms.

The Notes will be issued only as fully registered notes in denominations of \$100,000 or integral multiples of \$1,000 above \$100,000. When issued, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Notes will be made in book-entry-only form. Purchasers of beneficial interests in the Notes (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Notes. Interest on the Notes, together with the principal of the Notes, will be paid directly to DTC, so long as the Notes are held in book-entry-only form. See "THE NOTES—Book-Entry-Only System."

The aggregate principal amount of the Notes which may be outstanding under the Subordinate Indenture may not be in an amount such that the aggregate principal amount of the Notes, together with the interest due on such Notes at maturity, exceeds the aggregate amount available to the Issuing and Paying Agent under the Letter of Credit. The maximum interest rate on the Notes will be the lesser of 12% per annum and the maximum rate permitted by applicable law.

THE NOTES ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM AND SECURED BY (A) DRAWS UNDER THE LETTER OF CREDIT, (B) PROCEEDS OF THE NOTES, AND (C) SUBORDINATE REVENUES (AS DEFINED HEREIN), DERIVED BY THE CITY FROM THE OPERATIONS OF THE ENTERPRISE (AS DEFINED HEREIN). NONE OF THE PROPERTIES OF THE ENTERPRISE ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE NOTES, 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 THE NOTES. NEITHER THE NOTES 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.

IN LIGHT OF THE PRESENCE OF THE LETTER OF CREDIT, AS DESCRIBED HEREIN, NOT ALL RELEVANT INFORMATION WITH RESPECT TO THE SUBORDINATE INDENTURE AND THE OPERATIONS OF THE ENTERPRISE THAT MAY BE NECESSARY TO ANALYZE ITS CURRENT FINANCIAL CONDITION IS INCLUDED IN THIS OFFERING MEMORANDUM. IN MAKING AN INVESTMENT DECISION REGARDING A POSSIBLE PURCHASE OF THE NOTES, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD RELY SOLELY ON THE CREDIT OF THE BANK AND NOT ON THE CREDIT OF THE ENTERPRISE WITH REGARDS TO THE PAYMENT OF PRINCIPAL AND INTEREST ON THE NOTES. This cover page is not intended to be a summary of the terms of, or the security for, the Notes. Investors are advised to read the Offering Memorandum in its entirety to obtain information essential to the making of an informed investment decision.

LEHMAN BROTHERS INC.

Date of Offering Memorandum: _____, 2005

The information in this Offering Memorandum has been obtained from the City, the Trustee, the Issuing and Paying Agent, the Bank, DTC and other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information. The references herein to the Subordinate Indenture, the Issuing and Paying Agent Agreement, the Notes, the Letter of Credit, and the Reimbursement Agreement do not purport to be complete or definitive, do not constitute summaries thereof and are qualified in their entirety by reference to the provisions thereof. No dealer, salesperson or other person has been authorized to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Commission or any other person. The Notes are exempted from the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. The information and expressions of opinion in this Offering Memorandum are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale hereunder shall under any circumstances create the implication that there has been no change in the matters referred to in this Offering Memorandum since the date hereof.

This Offering Memorandum is not to be construed as a contract between the City and the purchasers of the Notes. This Offering Memorandum does not constitute an offer to sell securities in any jurisdiction to any person to whom it is unlawful to make such offers. Prospective purchasers of the Notes are expected to conduct their own review and analysis before making an investment decision.

LONG BEACH MAYOR AND CITY COUNCIL

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Jackie Kell, Vice Mayor
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Rae Gabelich
Val Lerch
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Tonia Reyes Uranga
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Dealer

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San Francisco, California

Trustee

Deutsche Bank National Trust Company
New York, New York

Issuing and Paying Agent

Deutsche Bank National Trust Company
New York, New York

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OFFERING MEMORANDUM

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**CITY OF LONG BEACH, CALIFORNIA
SUBORDINATE GAS UTILITY REVENUE COMMERCIAL PAPER NOTES
SERIES A
SERIES B (TAXABLE)**

INTRODUCTION

This Offering Memorandum, which includes the cover page and appendices, furnishes general information in connection with the issuance and sale, from time to time, by the City of Long Beach, California (the "City") of its Subordinate Gas Utility Revenue Commercial Paper Notes, Series A (the "Series A Notes"), and its Subordinate Gas Utility Revenue Commercial Paper Notes, Series B (the "Series B Notes," and together with the Series A Notes, the "Notes") . The Notes will be issued, from time to time, by the City pursuant to (a) Section 1725 of Article XVII of the City Charter of the City of Long Beach (the "Charter"), (b) the Master Subordinate Trust Indenture, dated as of July 1, 2005 (the "Master Subordinate Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"), and (c) the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the "First Supplemental Subordinate Indenture" and together with the Master Subordinate Indenture, the "Subordinate Indenture"), by and between the City and the Trustee. Additionally, in connection with the issuance of the Notes, the City has entered into the Issuing and Paying Agent Agreement, dated as of July 1, 2005 (the "Issuing and Paying Agent Agreement") with Deutsche Bank National Trust Company, as issuing and paying agent (the "Issuing and Paying Agent"). The aggregate outstanding principal amount of the Notes under the Subordinate Indenture may not exceed \$35,000,000. Such authorization expires on July 1, 2020, unless otherwise extended pursuant to the Subordinate Indenture (the "Program Termination Date"). Capitalized terms used but not defined herein will have the meanings set forth in the Subordinate Indenture, the Reimbursement Agreement (as defined herein) and the Second Lien Trust Indenture (as defined herein).

IN LIGHT OF THE PRESENCE OF THE LETTER OF CREDIT, AS DESCRIBED HEREIN, NOT ALL RELEVANT INFORMATION WITH RESPECT TO THE SUBORDINATE INDENTURE AND THE OPERATIONS OF THE ENTERPRISE (AS HEREINAFTER DEFINED) THAT MAY BE NECESSARY TO ANALYZE ITS CURRENT FINANCIAL CONDITION IS INCLUDED IN THIS OFFERING MEMORANDUM. IN MAKING AN INVESTMENT DECISION REGARDING A POSSIBLE PURCHASE OF THE NOTES, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD RELY SOLELY ON THE CREDIT OF THE BANK (AS HEREINAFTER DEFINED) AND NOT ON THE CREDIT OF THE ENTERPRISE WITH REGARDS TO THE PAYMENT OF PRINCIPAL AND INTEREST ON THE NOTES.

The information in this Offering Memorandum has been obtained from the City, the Trustee, the Issuing and Paying Agent, JPMorgan Chase Bank, N.A., as successor by merger to Bank One, NA (the "Bank"), and other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information. The references herein to the Subordinate Indenture, the Issuing and Paying Agent Agreement, the Notes, the Letter of Credit (as hereinafter defined), and the Reimbursement Agreement do not purport to be complete or definitive, do not constitute summaries thereof and are qualified in their entirety by reference to the provisions thereof. No dealer, salesman or other person has been authorized to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation should not be relied upon

as having been authorized by the City or any other person. The information and expressions of opinion in this Offering Memorandum are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale hereunder will under any circumstances create the implication that there has been no change in the matters referred to in this Offering Memorandum since the date hereof.

This Offering Memorandum is not to be construed as a contract between the City and the purchasers of the Notes. This Offering Memorandum does not constitute an offer to sell securities in any jurisdiction to any person to whom it is unlawful to make such offers. Prospective purchasers of the Notes are expected to conduct their own review and analysis before making an investment decision.

THE NOTES

Authorization and Purpose

The Notes are being issued by the City pursuant to the Charter and the Subordinate Indenture and are payable from draws on the Letter of Credit, proceeds of the Notes, and to the extent draws on the Letter of Credit are not honored, a pledge of Subordinate Revenues (as defined herein). The Notes are being issued to: (a) pay costs associated with certain capital maintenance, improvements, additions and rehabilitation to the Long Beach Gas Utility (the "Gas Utility"), (b) pay all or a portion of the principal of and interest on the Notes when due, (c) reimburse the Bank for any authorized draws under the Letter of Credit, and (d) finance a portion of the costs of issuance.

The Notes are special limited obligations of the City payable solely from and secured by a draws on the Letter of Credit, proceeds of the Notes, and to the extent draws on the Letter of Credit are not honored, from Subordinate Revenues derived by the City from the operations of the Enterprise (as defined herein). None of the properties of the Enterprise are subject to any mortgage or other lien for the benefit of the owners of the Notes, 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 the Notes. Neither the Notes 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.

Description of Notes

The Notes are to be dated the date of their respective authentication and issuance, are to be issued in book-entry form only, in denominations of \$100,000 and in integral multiples of \$1,000 in excess of \$100,000, and are each to bear interest at a separately stated interest rate per annum not to exceed the maximum interest rate or yield per annum allowed for the Notes under the Subordinate Indenture. Pursuant to the First Supplemental Subordinate Indenture, the interest rate on the Notes may not exceed the lesser of (a) 12% per annum and (b) the maximum rate of interest permitted by applicable law (the "Maximum Interest Rate").

The Notes will be issued as fully registered notes and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership interests in the Notes will be available in book-entry form only, and purchasers of the Notes will not receive certificates representing their interests in the Notes purchased. While held in book-entry-only form, all payments of principal of and interest on the Notes will be made by wire transfer to DTC or its nominee as the sole registered owner of the Notes. Payments to the beneficial owners are the responsibility of DTC and its participants.

The Series A Notes (a) will 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), (b) will mature and become due and payable on such dates as the Designated Representative will determine at the time of sale but in any event not more than 270 days after their respective dates of sale or later than the Termination Date (which is the earlier of (i) the Program Termination Date or (ii) 5 days prior to the expiration date of the Letter of Credit), (c) will be sold at a price of not less than 100% of the principal amount thereof and (d) will mature on a Business Day.

The Series B Notes may be issued and sold at a price less than the principal amount thereof, as determined by the Designated Representative at the time any Series B Notes are issued, and interest, if any, payable on Series B Notes will accrue from their respective dates of sale, and be payable at maturity, and will be calculated on the basis of a 360-day year and actual number of days elapsed.

A Note will cease to accrue interest, if any, on its respective Maturity Date. Payments of principal of and interest on maturing Notes will be made by the Issuing and Paying Agent directly to DTC. See “—Book-Entry-Only System” below.

Book-Entry-Only System

Introduction. Unless otherwise noted, the information contained under the subcaption “—General” below has been provided by DTC. The City makes no representation as to the accuracy or the completeness of such information. The Beneficial Owners of the Notes should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NONE OF THE CITY, THE TRUSTEE OR THE ISSUING AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF NOTES UNDER THE SUBORDINATE INDENTURE, (C) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE NOTES; (D) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF NOTES; OR (E) ANY OTHER MATTER REGARDING DTC.

General. The Notes will be delivered in book-entry-only form. DTC will act as securities depository for the Notes.

The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Master Note Certificate will be issued for the Notes, in the aggregate principal amount of \$35,000,000, and will be held by the Issuing and Paying Agent.

DTC, the world’s largest depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions in deposited securities through electronic computerized book entry transfers and pledges between Direct Participants’

accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of material contained on DTC’s website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an omnibus proxy to the City as soon as possible after the record date. The omnibus proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Payments of principal of and interest on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detailed information from the City

or the Issuing and Paying Agent on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Issuing and Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest is the responsibility of the City or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the City or the Issuing and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

According to DTC, the foregoing information with respect to DTC has been provided for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

SOURCES OF PAYMENT AND SECURITY FOR THE NOTES

Pledge of Subordinate Revenues

The Notes are special limited obligations of the City payable solely from and secured by draws on the Letter of Credit, proceeds of the Notes, and to the extent draws on the Letter of Credit are not honored, a pledge of Subordinate Revenues. Subordinate Revenues are defined in the Master Subordinate Indenture to mean, for any period, an amount equal to all of the Revenues (as defined herein) received during such period less, for such period (i) all amounts which are required to be used to make the payments and deposits into the Interest Account, Principal Account and Bond Reserve Account created by and described in the Second Lien Trust Indenture (as defined herein), provided that such deposits to be made shall include amounts to be deposited with respect to the Series 2005 Gas Utility Bonds (as defined herein), and (ii) all amounts which are required to be used to make payments and deposits for any First Lien Obligations (as defined herein).

"Revenues" is defined as all those certain revenues earned by the City from the operations or assets of the Enterprise, including, without limitation, fees and charges to the general public (including home, retail, commercial and industrial users), payments by or from public utilities under contract with the Enterprise and all other moneys paid to or received by the Enterprise from any source whatsoever, unless otherwise limited by law or by the terms of a grant or similar document.

"Enterprise" is defined as the Gas Utility and all operations of the Gas Utility, including all of its revenue-producing functions, facilities and properties, whether or not directly related to the provision of natural gas.

“Gas Utility” is defined as the City’s municipally owned natural gas utility, operated by the Energy Department of the City (the “Energy Department”): including the natural gas distribution system, pipelines, infrastructure, facilities, natural gas mains, service lines, corrosion control rectifiers, regulating and metering equipment, valves, Compressed Natural Gas and delivery stations 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 in which the City has other rights or from which the City derives revenues; 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.

“Second Lien Trust Indenture” is defined as the Indenture of Trust, dated as of February 1, 2005, by and between the City and The Bank of New York Trust Company, N.A. (the “Second Lien Trustee”), as supplemented and amended, and which provided for the issuance of the Series 2005 Gas Utility Bonds.

“Series 2005 Gas Utility Bonds” means the City of Long Beach 2005 Gas Utility Refunding Revenue Bonds issued and at any time outstanding under the Second Lien Trust Indenture.

“First Lien Obligations” is defined as any debt or obligations issued or incurred having a priority in payment of principal or interest and the funding of any debt service reserve amounts out of the Revenues senior to that of the Subordinate Obligations (as defined herein) authorized under the Master Subordinate Indenture, and senior to that of the Series 2005 Gas Utility Bonds previously issued pursuant to the Second Lien Trust Indenture.

Under the Master Subordinate Indenture, the City has pledged, placed a charge upon and assigned all Subordinate Revenues to secure the payment of all principal, premium, if any, and interest on the Notes and all other subordinate obligations issued pursuant to the Master Subordinate Indenture (“Subordinate Obligations”), without priority or distinction of one over the other, subject only to the provisions of the Master Subordinate Indenture permitting the application thereof for the purpose and on the terms and conditions provided therein. The City may, as provided in and as limited by the Master Subordinate Indenture, grant a lien on or security interest in the Subordinate Revenues ranking junior and subordinate to the charge or lien of the Subordinated Obligations issued or incurred in accordance with the terms thereof. The Notes constitute Subordinate Obligations under the Master Subordinate Indenture. The City has not previously issued any Subordinate Obligations under the Master Subordinate Indenture. The aggregate outstanding principal amount of the Notes under the Subordinate Indenture may not exceed \$35,000,000.

On each Maturity Date, principal and interest on the maturing Notes will 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 Notes; and (c) third, from Subordinate Revenues.

The Notes are special limited obligations of the City payable from draws on the Letter of Credit, proceeds of the Notes, and to the extent draws on the Letter of Credit are not honored, Subordinate Revenues derived by the City from the operations of the Enterprise. None of the properties of the Enterprise are subject to any mortgage or other lien for the benefit of the owners of the Notes, 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 or interest on the Notes. Neither the Notes 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.

IN MAKING AN INVESTMENT DECISION REGARDING A POSSIBLE PURCHASE OF THE NOTES, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD RELY SOLELY

ON THE CREDIT OF THE BANK AND NOT ON THE CREDIT OF THE CITY WITH REGARDS TO THE PAYMENT OF PRINCIPAL AND INTEREST ON THE NOTES.

Letter of Credit

At the time of issuance and sale of the Notes, from time to time, a letter of credit is required to be in effect with a stated amount at least equal to the principal and interest due on such Notes at maturity.

The City has caused to be delivered to the Issuing and Paying Agent an irrevocable letter of credit, dated _____, 2005, issued by the Bank (the "Letter of Credit"). The Issuing and Paying Agent is entitled to draw under the Letter of Credit to pay the principal of and interest on the Notes at maturity. The Letter of Credit expires on _____, 2010 unless earlier terminated or extended in accordance with its terms. The City may obtain a substitute letter of credit ("Substitute Letter of Credit") to replace the Letter of Credit so long as the Substitute Letter of Credit goes into effect at least one Business Day prior to the termination of the Letter of Credit. Additionally, the expiration date with respect to such Substitute Letter of Credit will 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. The Substitute Letter of Credit will have a Stated Amount (as such term is used in the original Letter of Credit) at least as great as the Letter of Credit. The City will deliver written notice of the proposed substitution to the Trustee, the Issuing and Paying Agent, the Bank, the Holders of the Notes and the Dealer not less than 30 days prior to the substitution date. Additionally, written evidence from each Rating Agency then maintaining a rating on the Notes, will be delivered to the City, the Trustee and the Issuing and Paying Agent, that the substitution of the Letter of Credit will not result in any rating then assigned to the Notes being reduced or withdrawn. See also "LETTER OF CREDIT" and "THE BANK."

Issuance of Additional Subordinate Obligations

Subject to the terms of the Master Subordinate Indenture (including, but not limited, to the additional bonds test), the City may issue additional Subordinate Obligations, including commercial paper notes, payable from Subordinate Revenues on parity with the Notes.

Issuance of Senior Lien Obligations

Pursuant to the Second Lien Trust Indenture, dated as of February 1, 2005, by and between the City and the Second Lien Trustee, the City of Long Beach 2005 Gas Utility Refunding Revenue Bonds were executed and delivered in the aggregate principal amount of \$7,675,000 (the "Series 2005 Gas Utility Bonds"), which as of July 1, 2005 were outstanding in the aggregate principal amount of \$7,675,000.

The Series 2005 Gas Utility Bonds (also referred to as the "Second Lien Obligations") are payable solely from and secured by a pledge of Revenues. The Second Lien Trust Indenture defines "Revenues" as, those certain revenues earned by the City from the operations or assets of the Enterprise, including, without limitation, fees and charges to the general public (including home, retail, commercial and industrial users), payments by or from public utilities under contract with the Enterprise and all other moneys paid to or received by the Enterprise from any source whatsoever, unless otherwise limited by law or by the terms of a grant or similar document. The City's obligations to repay the Series 2005 Gas Utility Bonds from Revenues has priority over its obligation to repay the Notes and any Subordinate Obligations issued under the Master Subordinate Indenture.

Pursuant to the terms of the Master Subordinate Indenture, the City has covenanted that no additional Second Lien Obligations will be issued or incurred by the City presently or in the future, notwithstanding the terms of the Second Lien Trust Indenture.

Nothing in the Master Subordinate Indenture, however, prevents the City from issuing or incurring First Lien Obligations or Subordinate Obligations as provided for in the Second Lien Trust Indenture, or indebtedness with a lien on Subordinate Revenues ranking junior and subordinate to the lien of the Subordinate Obligations as provided for in the Master Subordinate Indenture. The City may, by a First Lien Debt Instrument, issue or incur First Lien Obligations payable from 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 First Lien Obligations subject to the provisions of the Second Lien Trust Indenture and the Master Subordinate Indenture and, as a condition to the issuance of any First Lien Obligations, the City must be in compliance with the provisions of the Master Subordinate Indenture. A “First Lien Debt Instrument” is defined as the indenture, loan agreement or other document pursuant to which any First Lien Obligations are issued or incurred. The Second Lien Trust Indenture requires that the City maintain at least 125% coverage of Net Income Available for Debt Service to First Lien Obligations debt service and Second Lien Obligations debt service, based on a prospective test, on the Series 2005 Gas Utility Bonds and any First Lien Obligations issued pursuant to any First Lien Debt Instrument.

“Net Income Available for Debt Service” is defined in the Master Subordinate Indenture to mean, with respect to any period, the excess of Subordinate Revenues over Maintenance and Operation Expenses of the Enterprise for such period, to which shall be added interest and extraordinary non-cash items, each item determined in accordance with generally accepted accounting principles, and excluding (a) any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets or resulting from the early extinguishment of debt, and (b) the net proceeds of insurance (other than business interruption insurance) and condemnation awards.

“Maintenance and Operation Expenses of the Enterprise” is defined in the Master Subordinate Indenture to mean, for any given period, the total operation and maintenance expenses of the Gas Utility as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of the Gas Utility payable from moneys other than Revenues.

Additional Bonds Test for Subordinate Obligations

The City may issue or incur additional bonds, notes, loans, advances or indebtedness payable from Subordinate Revenues to provide financing for the Enterprise, subject to the provisions and limitations of the Master Subordinate Indenture, including, but not limited to, the requirement that the City must show, utilizing the services of a consultant, that the City maintains at least 110% coverage of Net Income Available for Debt Service to its Subordinate Obligations debt service, based on either a prospective or historical test, as set forth in the Master Subordinate Indenture.

Rate Covenant for Subordinate Obligations

The City has covenanted 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, Net Income Available for Debt Service will be equal to at least 110% of the Aggregate Annual Debt Service on the Outstanding Subordinate Obligations in such Fiscal Year.

In addition, the City must 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 Maintenance and Operation Expenses of the Gas Utility; debt service on the Series 2005 Gas Utility Bonds, any Subordinate Obligations and any First Lien Obligations; all amounts required to fund any reserve fund requirements; and any other payment obligations of the City.

THE LETTER OF CREDIT

The Notes are payable from and secured by the Letter of Credit. The City and the Bank have entered into a Reimbursement Agreement, dated as of July 1, 2005 (the "Reimbursement Agreement"). Pursuant to the terms of the Reimbursement Agreement, the Bank issued the Letter of Credit for the Notes which secures the timely payment of the principal of and interest on the Notes issued, from time to time, by the City. Pursuant to the terms of the Letter of Credit, the Bank agrees to honor draws thereunder, if made in strict conformity with the terms of the Letter of Credit.

In accordance with the Reimbursement Agreement, the Bank issued the Letter of Credit for the Notes in the original stated amount of \$_____ (which includes \$_____ of principal and \$_____ of interest). In no event will the original stated amount (or any increases to the stated amount) at any time exceed the maximum stated amount of \$_____ (which includes \$35,000,000 of principal and \$_____ of interest). Pursuant to the First Supplemental Subordinate Indenture and the Issuing and Paying Agent Agreement, the Issuing and Paying Agent may not issue Notes if the issuance of such Notes would result in the outstanding principal amount of Notes together with any interest due thereon at maturity to be in excess of the amount available under the Letter of Credit immediately after the issuance of such Notes and taking into account any increase in the Letter of Credit provided in the Reimbursement Agreement. Additionally, pursuant to the First Supplemental Subordinate Indenture and the Issuing and Paying Agent Agreement, the Issuing and Paying Agent may not issue Notes if the issuance of such Notes would result in the outstanding principal amount of such Notes exceeding \$35 million.

Upon the occurrence of certain events specified in the Reimbursement Agreement, the Bank may terminate the right of the City to issue Notes. Any such termination, however, would not affect the obligation of the Bank under the Letter of Credit to honor demands for payment by the Trustee with respect to outstanding Notes.

The Letter of Credit expires on _____, 2010 but can be extended for one or more years thereafter on the request of the City and with the approval of the Bank. Pursuant to the First Supplemental, the City is required to give written notice of the substitution of such Letter of Credit at least 30 days prior to the substitution date to the Trustee, the Issuing and Paying Agent, the Bank, the Dealer and the Holders of the Notes.

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THE BANK

IN MAKING AN INVESTMENT DECISION REGARDING A POSSIBLE PURCHASE OF THE NOTES, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD RELY SOLELY ON THE CREDIT OF THE BANK AND NOT ON THE CREDIT OF THE CITY WITH REGARDS TO THE PAYMENT OF PRINCIPAL AND INTEREST ON THE NOTES. The following information relates to and has been furnished by the Bank for inclusion herein. No other party has independently verified or assumes any responsibility for such information, and each of the City and the Dealer cannot and do not make any representation as to the accuracy or completeness of such information or the absence of material adverse changes in such information subsequent to the date hereof. The delivery of this Offering Memorandum does not create any implication that there has been no change in the affairs of the Bank since the date hereof or that the information contained or referred to in this section is correct as of any time subsequent to the date hereof.

The Bank

JPMorgan Chase Bank, N.A. (“JPMCB”) is a wholly-owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMCB is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. It is chartered, and its business is subject to examination and regulation, by the Office of the Comptroller of the Currency, a bureau of the United States Department of the Treasury. JPMCB’s main office is located in Columbus, Ohio. It is a member of the Federal Reserve System and its deposits are insured by the Federal Deposit Insurance Corporation.

Effective July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase & Co., the surviving corporation in the merger, pursuant to the Agreement and Plan of Merger dated as of January 14, 2005.

Prior to November 13, 2004, JPMCB was in the legal form of a banking corporation organized under the laws of the State of New York and was named JPMorgan Chase Bank. On that date, it became a national banking association and its name was changed to JPMorgan Chase Bank, N.A. (the “Conversion”). Immediately after the Conversion, Bank One, N.A. (Chicago) and Bank One, N.A. (Columbus) merged into JPMCB.

Additional information, including the most recent Form 10-K for the year ended December 31, 2005, of JPMorgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by JPMorgan Chase & Co., as they become available, may be obtained from the Securities and Exchange Commission’s Internet site (<http://www.sec.gov>), or without charge by each person to whom this Offering Memorandum is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained under this caption entitled “—The Bank” relates to and has been obtained from JPMCB. The delivery of this Offering Memorandum shall not create any implication that there has been no change in the affairs of JPMCB since the date of this Offering Memorandum, or that the information contained or referred to under this caption entitled “—The Bank” is correct as of any time subsequent to the date of this Offering Memorandum.

THE CITY AND THE GAS UTILITY

General

The City is a municipal corporation organized and existing under its Charter and the Constitution and the laws of the State of California. The Gas Utility Enterprise is operated by the Energy Department of the City (the “Energy Department”) which is under the direction of a Director, who is appointed by the City Manager. The Gas Utility Enterprise, the fifth largest municipal gas utility in the United States, serves approximately 145,000 customers. The Energy Department service territory includes the cities of Long Beach and Signal Hill and sections of surrounding communities including Lakewood, Bellflower, Compton, Seal Beach, Paramount and Los Alamitos. The Gas Utility Enterprise customer load profile is 50% residential and 50% commercial/industrial.

Natural Gas Distribution System

The natural gas distribution system infrastructure has a replacement value of approximately \$400 million and is the primary focus of the Energy Department’s long-range plan. Facilities contained within the infrastructure include natural gas mains, service lines to residential and commercial customers meters, corrosion control rectifiers, and regulating and metering equipment.

The infrastructure represents approximately 2,000 miles of pipe, 2,700 valves (a mixture of plug, ball, and gate), approximately 150,000 meters, four CNG stations and 11 delivery stations.

Sources of Natural Gas Supply

The Energy Department has contracts with several local natural gas suppliers within the City for natural gas supplies (“Local Production”). This supply covers approximately 10% of the City’s total natural gas requirements. To cover the natural gas supplies required above the Local Production, the Energy Department has entered into a Master Gas Purchase/Sale and Services Agreement, dated as of March 24, 2003 (the “Gas Purchase Agreement”) with Coral Energy Resources, L.P. (“Coral Energy”) to provide the remaining natural gas requirements. The Gas Purchase Agreement has an effective date of April 1, 2003 and a termination date of April 1, 2006. Pursuant to the Gas Purchase Agreement, Coral Energy has agreed to provide the City with the following services, (a) forecasting of the daily natural gas supply requirements of the City; (b) the procurement, scheduling and delivery of natural gas for and to the City; and (c) management of certain agreements associated with the Gas Utility Enterprise. In addition to paying for the natural gas delivered to the City, the City has agreed to pay Coral Energy a fee of \$84,000 per month for services provided under the Gas Purchase Agreement.

Environmental Issues Relating to the Gas Utility Enterprise

The Energy Department occasionally encounters environmental conditions during the course of its regular operations. Pipeline construction crews infrequently encounter hydrocarbon-contaminated soil, typically in small quantities ranging from twenty to thirty cubic feet, while excavating bell holes to reach natural gas pipelines. This hydrocarbon-contaminated soil cannot be backfilled and must be disposed of by a remedial company. Pipeline construction crews also occasionally encounter material in small quantities, which contains asbestos, that is wrapped around natural gas pipelines. Such material is subsequently disposed of through the services of a hazardous waste management company.

Summary of Capital Improvement Program

The Energy Department is in the process of revising the natural gas infrastructure strategic plan using the concept of pipeline integrity as the fundamental approach. In the past, considerable resources have been expended on replacement of pipelines. Pipelines were primarily installed from the 1920's through the 1960's. The pipelines are well maintained, and age alone is not the decisive factor relative to replacement. Pipeline replacement depends upon such factors as the annual leakage survey and corrosion control results. The pipelines overall condition should determine replacement requirements. The Energy Department currently estimates that approximately \$60 million will need to be spent on pipeline replacement over the next fifteen years. Such replacement costs are expected to be funded from revenues of the Energy Department. The segments of pipeline to be replaced are primarily of the 1920's, 1930's and 1940's vintage of pipe and replacement of such pipelines is based upon their condition and proposed developments within the City or by such issues as road moratoriums.

Pipeline mains are currently being replaced according to criteria developed in the pipeline integrity plan. The mains are leak surveyed on a regular basis pursuant to standards established in the operating and maintenance plan. The rationale for phased replacement of the pipelines depends on leakage criteria and the physical condition of the pipeline. Replacement of natural gas service lines, including the installation of corrosion resistant (annodeless) risers, is required to maintain service reliability. Installations of new service lines to support the increase in residential and redevelopment projects are proceeding concurrent with the replacement program.

The capital improvement plans of the Energy Department are expected to improve the integrity of the system. Pipeline replacements require the Energy Department to follow set procedures established by the Department of Transportation ("DOT"). These procedures require step increases in pressure followed by leak surveys and necessary repairs. Therefore, the upgrade process will result in locating and repairing minor leaks now rather than at a later time during routine pipeline maintenance. Operating and maintenance costs will be reduced in the long term by the eventual elimination of more than 50 pressure-regulating stations, installation of smaller diameter pipe, and required maintenance will be reduced as the number of critical valves is reduced. Safety will be improved, as there will be less likelihood of a high-pressure system leaking into a low-pressure system (crossing pressure sectors).

The Energy Department spent approximately \$8.5 million on capital improvements to the Gas Utility Enterprise between 2002 and 2004. Such costs were financed from revenues of the Energy Department. The Energy Department expects to spend approximately \$56 million on capital improvements to the Gas Utility Enterprise between 2005 and 2011. Contemplated capital improvement projects include the replacement of gate valves, purchase of fire control valves, ongoing pipeline maintenance, removal of 1920 through 1950 era pipelines, cathodic protection to prevent external corrosion of buried pipelines, purchase of vehicles and tools, purchase and repair of meter set assemblies, purchase and upkeep of a GIS pipeline mapping system and unplanned, emergency repair needs. Such costs are expected to be financed from the issuance of the Notes and revenues of the Energy Department.

Natural Gas Rates, Fees and Charges

General. Natural gas rates are based on the City's costs for purchasing gas and operating and maintaining the Gas Utility Enterprise. Natural gas costs will make up approximately 57% of the Gas Utility Enterprise's Fiscal Year 2004-05 budget. Pursuant to the Gas Purchase Agreement, the Energy Department has agreed to pay for the natural gas delivered by Coral Energy based upon monthly prices based on Inside FERC's Gas Market Report-San Juan Basin price on the first day of each month. The Gas Purchase Agreement also provides for a fixed price ceiling of \$10 per million British Thermal Units ("MMBtu") and a floor price of \$3.50 per MMBtu, which ensures that the Energy Department's

customers will not be affected by rising gas prices similar to those experienced in the gas crisis of 2000-01, which saw prices rise to the level of \$16 per MMBtu at the height of the crisis. To establish retail rates, these costs are added to other revenue requirements related to the operation of the natural gas distribution system, including the payment of any outstanding debt and the funding of reserves. Rates and charges for natural gas service are established by the City Council. The present rate structure has been in effect since October 1, 2004. See “—Litigation” below.

Natural Gas Rate Structure. Natural gas rate schedules are established for residential and non-residential (commercial and industrial) users. The residential rate schedule consists of baseline and non-baseline tiers that ascend in price as consumption increases. Residential baseline volumes are seasonal and change between winter and summer. The non-residential rate schedules consist of daily service charges and tiered transmission charges. Transmission charge prices decrease as non-residential usage increases. Non-residential users are charged based on a weighted average cost of gas.

Gas Demand and Customer Base

On average, the City provides its customers with 336,000 therms of natural gas per day. However, demand rises and falls depending on the season, with the winter months showing high consumption and the summer months lower consumption. In Fiscal Year 2003-04, the Gas Utility Enterprise supplied approximately 145,000 users with approximately 12,300,000 MMBtu of natural gas. In the aggregate, the ten largest customers of the Energy Department for the Fiscal Year ended September 30, 2004, represented approximately 5% of the annual natural gas sales by the Energy Department. The following table sets forth a five-year history of billing amounts, natural gas consumption in cubic feet by customer type, the average rate per million cubic feet and the average number of customers. For conversion purposes, 100 cubic feet multiplied by the Btu factor (1.021) equals one therm.

TABLE 1
Energy Department of the City of Long Beach
Natural Gas Sales
(000's)

Fiscal Year Ending Sept. 30	Consumption in Sales Dollars				Consumption in Cubic Feet				Average Rate Per MCF	Average No. of Customers
	Residential	Commercial Industrial	Others	Total	Residential	Commercial Industrial	Others	Total		
2004	\$56,173	\$21,486	\$2,006	\$ 79,665	5,810,339	5,366,542	805,992	11,982,873	\$ 6.65	145
2003	49,888	18,354	1,350	69,592	5,651,109	4,287,971	640,659	10,579,739	6.58	145
2002	42,400	13,886	81	56,367	6,049,213	4,848,943	39,049	10,937,205	5.15	144
2001	87,404	32,803	25	119,512	6,036,334	5,414,312	16,657	11,467,303	10.42	140
2000	47,083	18,122	14	65,219	6,016,099	6,174,824	15,237	12,206,160	5.31	140

Source: Energy Department

Litigation

A class action lawsuit, Donaldson et al. v. City of Long Beach, was recently filed against the Energy Department seeking approximately \$38 million in past damages and an indeterminate amount of future damages, alleging that the City's general fund should subsidize the Energy Department so that rates charged to its customers are comparable to rates charged by Southern California Gas Company, a private utility, operating in neighboring cities. The wholesale cost that the Energy Department paid for natural gas during the winter of 2000-01 significantly exceeded the cost of natural gas charged by Southern California Gas Company, and these increased costs were passed on to the Energy Department's customers. The trial court entered judgment in favor of the City in 2004, and this judgment was upheld

by the Court of Appeal. In March 2005, the California Supreme Court declined to hear the plaintiffs' petition for appeal.

Additional Information

The descriptions of documents included herein do not purport to be comprehensive or definitive. Prospective purchasers of the Notes are referred to the Subordinate Indenture and the Issuing and Paying Agent Agreement for the complete terms thereof. During the offering period of the Notes, copies of the Subordinate Indenture may be obtained from the Dealer (as defined herein). Inquiries regarding information about the Gas Utility and other City financial matters contained in this Offering Memorandum may be directed to the City Treasurer, at City of Long Beach, 333 West Ocean Boulevard, 6th Floor, Long Beach, California 90802, telephone: (562) 570-6845.

Other Factors

IN MAKING AN INVESTMENT DECISION REGARDING A POSSIBLE PURCHASE OF THE NOTES, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD RELY SOLELY ON THE CREDIT OF THE BANK AND NOT ON THE CREDIT OF THE CITY WITH REGARDS TO THE PAYMENT OF PRINCIPAL AND INTEREST ON THE NOTES. The purchase and ownership of the Notes involve investment risk. Prospective purchasers of the Notes are urged to read this Offering Memorandum in its entirety.

TAX MATTERS

Series A Notes

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series A Notes is excluded from gross income for federal income tax purposes. Interest on the Series A Notes is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in the federal alternative minimum taxable income of certain corporations which must be increased by 75% of the excess of the adjusted current earnings of such corporations over the alternative minimum taxable income of such corporations (determined without regard to such adjustment and prior to reduction for certain net operating losses). Bond Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series A Notes is exempt from State of California personal income taxes.

The opinions described in the preceding paragraph assume the accuracy of certain representations and continuing compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series A Notes. Failure to comply with these requirements may result in interest on the Series A Notes being included in gross income retroactively from the date of issue of the Series A Notes.

The accrual or receipt of interest on the Series A Notes may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Series A Notes, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax

exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Series A Notes.

Series B Notes

Interest on the Series B Notes is included in gross income for federal income tax purposes. Interest on the Series B Notes is exempt from all present State of California personal income taxes.

General. The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series B Notes under the Code, the Regulations (both final and proposed), the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series B Notes should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series B Notes.

Although there are not any regulations, published rulings or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Series B Notes, Bond Counsel has advised the City that the Series B Notes will be treated for federal income tax purposes as evidences of indebtedness of the City and not as an ownership interest in the collateral securing the Series B Notes; as an equity interest in the City or any other party or as a separate association taxable as a corporation.

Although the Series B Notes are issued by the City, interest on the Series B Notes (including any original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. **Interest on the Series B Notes will be fully subject to federal income taxation.** Thus, owners of the Series B Notes generally must include interest (including original issue discount) on the Series B Notes in gross income for federal income tax purposes. In general, interest paid on the Series B Notes (including any market discount discussed below) will be treated as ordinary income to the owners of the Series B Notes, and principal payments (excluding the portion of such payments, if any, characterized as market discount as discussed below) will be treated as a return of capital.

Series B Notes Purchased at a Discount. An investor that purchases a Series B Note in the initial offering at a price less than par or an investor that purchases a Series B Note in the secondary market at a price less than its adjusted issue price may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, “market discount” means (a) in the case of a Series B Note originally issued at an original issue discount, the amount by which the issue price of such Series B Note, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner, less any prior payments that did not constitute payments of qualified stated interest; and (b) in the case of a Series B Note not originally issued at an original issue discount, the amount by which the stated redemption price of such Series B Note at maturity exceeds the initial tax basis of the owner. Under Section 1276 of the Code, the owner of such a Series B Note will generally be required (i) to allocate each principal payment on such a Series B Note to accrued market discount not previously included in income, to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a bond as ordinary income to the extent of any remaining accrued market discount (as described under “—Sales or Other Dispositions of Series B Notes” below) or (ii) to elect to include such market discount and income

currently as it accrues on all market discount instruments required by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the United States Treasury Department to issue Regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as Regulations are issued by the United States Treasury Department, certain rules described in the legislative history of the Code will apply. Under those rules, market discount will be included in income based either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Series B Note with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series B Note who acquired such Series B Note at a market discount also may be required to defer, until the maturity date of such Series B Note, or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series B Note in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Series B Note. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series B Note for the days during the taxable year in which the holder held the Series B Note and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series B Note matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the holder elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such holder in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions of Series B Notes. If a Series B Note is sold or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Series B Note. The adjusted basis of a Series B Note generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Series B Note and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Series B Note (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss if the Series B Note to which it is attributable is held as a "capital asset" and will be long term or short term depending on whether the Series B Note has been held for the long term capital gain holding period (generally more than 12 months). Currently, long term capital gains in the case of corporations are taxed at the same rate as ordinary income, but at a tax rate that does not exceed 35%. However, for taxpayers other than corporations, net capital gains are subject to a maximum marginal tax rate of 20% effective for sales of long term capital assets.

Gain on the sale or other disposition of a Series B Note that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Series B Note was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Series B Notes Purchased at a Discount").

Backup Withholding. Payments of principal and interest (including original issue discount) on the Series B Notes, may be subject to the “backup withholding tax” under Section 3406 of the Code, at the applicable rate determined by statute, if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payer certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Other Matters Affecting the Notes

From time to time, there are legislative proposals in the United States Congress that, if enacted, could alter or amend the federal income tax consequences referred to above or could adversely affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, any such proposal would apply to Notes issued prior to enactment. Each purchaser of the Notes should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

PROSPECTIVE PURCHASERS OF THE SERIES A NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES A NOTES AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES A NOTES.

THE DEALER

The City has initially designated Lehman Brothers Inc. as the dealer with respect to the offering and sale of the Notes (the “Dealer”). Under the Commercial Paper Dealer Agreement, dated as of July 1, 2005, by and between the City and the Dealer, the Dealer has no commitment to purchase any of the Notes, but is obligated only to use its best efforts as agent of the City to solicit and arrange sales of the Notes on behalf of the City.

FINANCIAL ADVISOR

Public Financial Management, Inc., San Francisco, California, has served as Financial Advisor to the Department and the City with respect to the sale of the Notes. The Financial Advisor has assisted in various matters relating to the planning, structuring, and issuance of the Notes and will receive compensation with respect to the Notes which is contingent upon the sale and delivery of the Notes.

RATINGS

Fitch Ratings (“Fitch”) and Moody’s Investors Service Inc. (“Moody’s”) have assigned short-term ratings of “___” and “___,” respectively, to the Notes based on the credit support provided by the Bank pursuant to the Letter of Credit (the “Ratings”). Such Ratings will expire upon the expiration of the Letter of Credit.

The Ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained only from the agencies at the following addresses: Fitch Ratings, One State Street Plaza, New York New York 10004; and Moody’s Investors Service Inc., 99 Church Street, New York, New York 10007. The City furnished to such rating agencies certain information and materials regarding the Notes and the City. In addition, the Bank furnished certain information to such rating agencies regarding itself and the Letter of Credit. Generally, rating agencies base their ratings on the

information and materials furnished to them and on their own investigations, studies and assumptions. There is no assurance such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Notes. The City undertakes no responsibility to oppose any such change or withdrawal. The above ratings are not recommendations to buy, sell or hold the Notes, and such ratings may be subject to revision or withdrawal at any time by the rating agencies.

NO CONTINUING DISCLOSURE

The Notes are exempt from the rules of the Securities and Exchange Commission relating to continuing disclosure of annual financial information and certain material events.

INDEPENDENT AUDITORS

The financial statements of the Gas Utility Enterprise Fund as of and for the year ended _____, 2004 included as Appendix B of this Offering Memorandum have been audited by KPMG LLP, independent certified public accountants, and by the City Auditor whose report with respect thereto also appears in Appendix B hereto. The City has not requested nor did the City obtain permission from KPMG LLP to include the audited financial statements as an appendix to this Offering Memorandum. In addition, KPMG LLP has not performed any post-audit review of the financial condition or operations of the Enterprise and has not reviewed this Offering Memorandum.

ADDITIONAL INFORMATION AND DOCUMENTS INCORPORATED BY REFERENCE

Information herein concerning the City and the Enterprise is limited. No attempt is made herein to summarize the Second Lien Trust Indenture, the Master Subordinate Indenture, the First Supplemental Subordinate Indenture, the Letter of Credit, the Reimbursement Agreement or the Issuing and Paying Agent Agreement. Copies of the financial statements of the Enterprise, the Second Lien Trust Indenture, the Master Subordinate Indenture, the First Supplemental Subordinate Indenture, the Letter of Credit, the Reimbursement Agreement and the Issuing and Paying Agent Agreement may be obtained from the Dealer at Lehman Brothers Inc., 745 7th Avenue, 3rd Floor, New York, New York, 10019, Attention: Municipal Money Market Group (telephone number: (212) 528-1001, facsimile number: (212) 652-0575). Copies may also be obtained from, and other inquiries may be made to, the City at the following address: City of Long Beach, 333 West Ocean Boulevard, 6th Floor, Long Beach, California, 90802, Attention: City Treasurer (telephone number: (562) 570-6845, facsimile number: (562)570-5260). The information and opinions herein and in such financial statements are subject to change without notice, and neither the delivery thereof nor the delivery of this Offering Memorandum will, under any circumstances, create any implication that there has been no change in the affairs of the City, the Enterprise, or other matters described therein or herein.

This Offering Memorandum is submitted in connection with the issuance and sale of the Notes and may not be reproduced or used, in whole or in part, for any other purpose. No dealer or other person has been authorized by the City to give any information or to make any representations other than those contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Any statements in this Offering Memorandum involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the City are fully

set forth in the Second Lien Trust Indenture, the Master Subordinate Indenture, the First Supplemental Subordinate Indenture, the Reimbursement Agreement or the Issuing and Paying Agent Agreement. Neither any advertisement of the Notes nor this Offering Memorandum is to be construed as constituting a contract or agreement between the City and the purchasers or owners of the Notes.

This Offering Memorandum has been duly authorized and approved and prepared by the City. The Dealer assumes no responsibility for the accuracy or completeness hereof.

APPENDIX A

FORM OF BOND COUNSEL'S OPINION

July __, 2005

City of Long Beach
Long Beach, California

\$35,000,000
City of Long Beach, California
Subordinate Gas Utility Revenue Commercial Paper Notes
Series A
Series B (Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale, from time to time, by the City of Long Beach (the "City") of its Subordinate Gas Utility Revenue Commercial Paper Notes Series A (the "Series A Notes") and its Subordinate Gas Utility Revenue Commercial Paper Notes Series B (Taxable) (the "Series B Notes," and collectively with the Series A Notes, the "Notes"). The proceeds of the Notes will be used to (a) pay costs associated with certain ongoing capital maintenance, improvements, additions and rehabilitation projects at the Long Beach Gas Utility (the "Gas Utility"), (b) pay all or a portion of the principal of and interest on the Notes when due, (c) reimburse the Bank (as defined in the hereinafter defined First Supplemental Subordinate Indenture) for any authorized draws under the Letter of Credit (as defined in the First Supplemental Subordinate Indenture), and (d) finance a portion of the costs of issuance of the Notes.

The Notes are being issued pursuant to Section 1725 of Article XVII of the Charter of the City of Long Beach, California (the "City Charter") and the Master Subordinate Trust Indenture, dated as of July 1, 2005 (the "Master Subordinate Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"), as supplemented by the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the "First Supplemental Subordinate Indenture," and collectively with the Master Subordinate Indenture, the "Indenture"), by and between the City and the Trustee. Issuance of the Notes has been authorized by Resolution No. C-[_____] adopted by the City Council of the City of Long Beach on _____, 2005 (the "City Resolution").

The Notes are special limited obligations of the City payable solely from and secured by (a) draws under the Letter of Credit, (b) proceeds of the Notes and (c) a pledge of Subordinate Revenues, as defined in the Master Subordinate Indenture. Neither the faith and credit nor the taxing power of the City, the State of California or any public agency of the State, other than the City, to the extent of the Subordinate Revenues, is pledged to the payment of the principal and interest on the Notes.

In connection with the issuance of the Notes, we have examined the following:

- (a) a certified copy of the City Charter;
- (b) a certified copy of the City Resolution;
- (c) executed counterparts of the Master Subordinate Indenture; the First Supplemental Subordinate Indenture; the Issuing and Paying Agent Agreement, dated as of July 1, 2005 (the "Issuing and Paying Agent Agreement"), by and between the City and Deutsche Bank National Trust Company, as issuing and paying agent; the Commercial Paper Dealer

Agreement, dated as of July 1, 2005 (the "Dealer Agreement"), by and between the City and Lehman Brothers Inc., as dealer (the "Dealer"); the Tax Compliance Certificate, dated this date relating to the Series A Notes (the "Tax Certificate"); the Reimbursement Agreement, dated as of July 1, 2005 (the "Reimbursement Agreement"), between the City and JPMorgan Chase Bank, N.A.; the Bank Note, dated as of July 1, 2005, by the City; and Irrevocable Letter of Credit No. _____ dated July 1, 2005, issued by JPMorgan Chase Bank, N.A.;

- (d) certifications of the City and others;
- (e) an opinion of the City Attorney; and
- (f) such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The City is a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, with the power to execute the Master Subordinate Indenture and the First Supplemental Subordinate Indenture and to issue the Notes.

2. The Master Subordinate Indenture and the First Supplemental Subordinate Indenture have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, represent valid and binding agreements of the City enforceable in accordance with their terms.

3. When issued, the Notes will be valid and binding obligations of the City and will be issued in accordance with the City Charter, the City Resolution, the Master Subordinate Indenture and the First Supplemental Subordinate Indenture and represent valid and binding special limited obligations of the City. The principal of and interest on the Notes shall be payable solely from and are secured by an assignment and pledge by the City to the Trustee of Subordinate Revenues and certain funds and accounts created under the Indenture, and not out of any other fund or money of the City.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series A Notes, when issued, is excluded from gross income for federal income tax purposes. Interest on the Series A Notes, when issued, is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in the federal alternative minimum taxable income of certain corporations which must be increased by 75% of the excess of the adjusted current earnings of such corporation over the federal alternative minimum taxable income of such corporation (determined without regard to such adjustment and prior to reduction for certain net operating losses).

5. The opinions set forth in the first sentence of paragraph 4 regarding the exclusion of interest from gross income of the recipient is subject to the accuracy of certain representations and the continuing compliance by the City with representations and certain covenants regarding federal tax law contained in the Master Subordinate Indenture, the First Supplemental Subordinate Indenture and the Tax Certificate. Failure to comply with such representations and covenants could cause interest on the Series A Notes, when issued, to be included in gross income retroactive to the date of issue of the Series A Notes. Although we are of the opinion that interest on the Series A Notes, when issued, is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series A Notes, when

issued, may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

6. Interest on the Notes, when issued, is exempt from State of California personal income taxes.

7. Interest on the Series B Notes, when issued, is fully includable in gross income for federal income tax purposes.

The obligations of the City and the security provided therefor, as contained in the Notes, the Master Subordinate Indenture and the First Supplemental Subordinate Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

This opinion letter shall be deemed delivered by Bond Counsel on each Business Day unless and until Bond Counsel advises the City, the Dealer, the Bank, the Issuing and Paying Agent and the Trustee by telephonic notice, confirmed in writing, that this opinion is withdrawn. The opinions expressed in paragraphs 4 and 7 may be withdrawn in the event of a change in laws, regulations, rulings or judicial decisions applicable to the Series A Notes and obligations of the City of the same series as the Series A Notes or a failure of compliance by the City with the covenants regarding federal tax law contained in the Master Subordinate Indenture, the First Supplemental Subordinate Indenture and the Tax Certificate.

Very truly yours,

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE
GAS UTILITY ENTERPRISE FUND FOR THE
YEAR ENDED 2004**

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