PRIORITY

Date: June 13, 2012

To: Mayor & City Council

From: Patrick H. West
City Manager

Subject: Commercial Paper Note – LB Gas & Oil (FM/LBGO): Letter of Credit Replacement

Comments: Supplemental Information related to Agenda Item #20 on the June 19, 2012 City Council Agenda

City of Long Beach
Working Together to Serve

Memorandum

Date: June 7, 2012

To: Patrick H. West, City Manager

From: David S. Nakamoto, City Treasurer

For: Mayor and City Council

Subject: Commercial Paper Note – LB Gas & Oil (FM/LBGO): Letter of Credit Replacement

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For the June 19, 2012 City Council meeting, attached is the Commercial paper Offering Memorandum for the Subordinate Gas Utility Revenue Commercial Paper Notes replacing the expiring Letter of Credit.

Should you have any questions, please feel free to contact me at 8.6845.

Thank you for your assistance.

DSN
T:\Correspondences\Memo - City Clerk re Senior Airport Rev Bonds Series 2010 A-B Supporting Documents.doc
Attachment

COMMERCIAL PAPER OFFERING MEMORANDUM

BOOK-ENTRY-ONLY

Ratings: [Fitch:] "[__]"
Moody's: "[__]"
See "RATINGS" herein.

On July 27, 2005, Kutak Rock LLP, Bond Counsel to the City, delivered its opinion that 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 fully includable in gross income for federal income tax purposes. On July 27, 2005, Bond Counsel also delivered its opinion that interest on the Notes is exempt from all present State of California personal income taxes. See "TAX MATTERS" herein.

CITY OF LONG BEACH, CALIFORNIA
Subordinate Gas Utility Revenue Commercial Paper Notes

Series A Notes **Series B Notes (Taxable)**

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 together 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"), the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the "First Supplemental Subordinate Indenture"), by and between the City and the Trustee, and the Second Supplemental Subordinate Trust Indenture, dated as of July 1, 2012 (the "Second Supplemental Subordinate Indenture," and collectively with the Master Subordinate Indenture and the First Supplemental Subordinate Indenture, the "Subordinate Indenture"), by and between the City and the Trustee.

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 OR THE ENTERPRISE.

Pursuant to the terms of the Reimbursement Agreement, dated as of July 1, 2012 (the "Reimbursement Agreement"), by and between the City and The Bank of New York Mellon (the "Bank"), the Bank will issue a transferable irrevocable direct pay letter of credit (the "Letter of Credit"). Pursuant to the Letter of Credit, Deutsche Bank National Trust Company, as issuing and paying agent (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 has a Stated Amount of $[_____]. The Letter of Credit expires on July [__], 20[14], unless extended or terminated sooner in accordance with its terms. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" and "THE BANK."

The Notes will be issued only as fully registered notes in denominations of $100,000 and 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 will not receive physical delivery of certificates representing their interests in the Notes. So long as the Notes are held by DTC, the principal of and interest on the Notes will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Notes. See "APPENDIX B—BOOK-ENTRY-ONLY SYSTEM."

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) to the extent draws on the Letter of Credit are not honored, a pledge of 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 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.

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 this Offering Memorandum in its entirety to obtain information essential to the making of an informed investment decision. Capitalized terms not defined on the cover of this Offering Memorandum will have the meanings ascribed to them in this Offering Memorandum. *This Offering Memorandum is intended to apply to prospective purchasers of the Notes on and after July [__], 2012.*

BARCLAYS CAPITAL

Date of Commercial Paper Offering Memorandum: July [__], 2012

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. 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 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 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.

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 Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state. Neither the Subordinate Indenture nor the Issuing and Paying Agent Agreement have been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained therein. The Notes have not been recommended by any federal or state securities commission or regulatory commission. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum.

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CITY OF LONG BEACH, CALIFORNIA
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INTRODUCTION

This Commercial Paper Offering Memorandum (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 collectively with the Series A Notes, the "***Notes***"). *All references to documents and other materials herein are qualified in their entirety by reference to the complete provisions of those documents and other materials. The information and expressions of opinion in this Offering Memorandum are subject to change without notice after July [__], 2012, and future use of this Offering Memorandum will not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since July [__], 2012.*

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 DEFINED HEREIN) AND NOT ON THE CREDIT OF THE CITY OR THE ENTERPRISE (AS DEFINED HEREIN).

THE NOTES

Authorization and Purpose

The Notes are authorized to be issued and will be issued, from time to time, by the City pursuant to Section 1725 of Article XVII of the City Charter of the City of Long Beach (the "***Charter***"); Sections 3.52.110 *et seq.* of the Long Beach Municipal Code (the "***Municipal Code***"); 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***"), the First Supplemental Subordinate Trust Indenture, dated as of July 1, 2005 (the "***First Supplemental Subordinate Indenture***") by and between the City and the Trustee, and the Second Supplemental Subordinate Trust Indenture, dated as of July 1, 2012 (the "***Second Supplemental Subordinate Indenture***" and collectively with the Master Subordinate Indenture and the First Supplemental 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, as amended (the "***Issuing and Paying Agent Agreement***") with Deutsche Bank National Trust Company, as issuing and paying agent (the "***Issuing and Paying Agent***"). 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]).

The City is authorized to issue and have outstanding, at any one time, Notes in an aggregate principal amount not exceeding $35,000,000 (subject to certain conditions set forth in the Subordinate Indenture). However, as of the date of this Offering Memorandum, the City has decided to limit its Note issuances to the total credit support that will be provided by the Bank (as defined herein) through the

Letter of Credit (as defined herein) ($[_____] aggregate principal amount outstanding at any one time)..

The Notes may be issued, from time to time, pursuant to the Charter, the Municipal Code and the Subordinate Indenture to: (a) pay costs associated with ongoing capital maintenance, improvements, additions and rehabilitation to the Gas Utility (as defined herein) of the City, or any other project costs authorized under any supplement to the Subordinate Indenture, (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 the costs of issuance of the Notes.

Description of Notes

The Series A Note will be issued in denominations of $100,000 or integral multiples of $1,000 in excess thereof, and will be payable on such dates as the Dealer (as defined herein) determines at the time of sale of such Series A Notes. The Series A Notes will mature not more than 270 days after their respective dates of issuance, but, except as provided in the Subordinate Indenture, in no event later than the Termination Date (the earlier of (i) the Program Termination Date (July 1, 2020) or (ii) 5 days prior to the expiration date of the Letter of Credit). The Series A Notes will be sold at a price of not less than 100% of the principal amount thereof and may bear interest at rates not in excess of 12% per annum, payable at maturity, calculated on the basis of a 365/366 day year and actual days elapsed.

The Series B Notes will be issued in denominations of $100,000 or integral multiples of $1,000 in excess thereof. The Series B Notes may be issued and sold either as interest bearing notes or at a discount, as determined by the Dealer and approved by a Designated Representative at the time such Series B Notes are issued. Interest, if any, payable on Series B Notes will accrue from their respective dates, payable upon maturity, at a rate to be determined upon the issuance thereof calculated on the basis of a 360 day year and actual number of days elapsed. The Series B may bear interest at rates not in excess of 12% per annum. The Series B Notes will mature not more than 270 days after their respective dates of issuance, but, except as provided in the Subordinate Indenture, in no event later than the Termination Date (the earlier of (i) the Program Termination Date (July 1, 2020) or (ii) 5 days prior to the expiration date of the Letter of Credit).

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. 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. See "APPENDIX B—BOOK-ENTRY-ONLY SYSTEM."

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

Security for the Notes

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) to the extent draws under the Letter of Credit are not honored, a pledge of Subordinate Revenues. 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. None of the

properties of the Enterprise are subject to any mortgage or other lien for the benefit of the owners of the Notes.

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 OR THE ENTERPRISE.

Letter of Credit

On July [__], 2012, The Bank of New York Mellon (the "***Bank***") will issue a transferable irrevocable direct pay letter of credit (the "***Letter of Credit***") to provide credit support for the timely payment of the principal of and interest on the Notes. The Letter of Credit will be issued in an initial stated amount of $[_____] (to cover principal of $[_____] and interest on the Notes accruing at a rate of 12% for 270 days based on a 360-day year), and will expire on July [__], 20[14], unless extended or terminated sooner in accordance with its terms. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" and "THE BANK."

Upon satisfaction of certain conditions, the City may obtain one or more substitute letters of credit to replace the Letter of Credit then in effect so long as said substitute letter(s) of credit go into effect at least one Business Day prior to the termination of the Letter(s) of Credit then in effect, and the respective expiration date(s) with respect to such substitute letter(s) of credit are no earlier than (i) one year after its effective date, or (ii) the expiration date set forth in the Letter of Credit then in effect . The City will deliver written notice of the proposed substitution to the Trustee, the Issuing and Paying Agent, the Bank that is being replaced, the Holders of the Notes supported by the Letter of Credit that is being replaced and the Dealer not less than fifteen days prior to the substitution date. All Outstanding Notes supported by the Letter of Credit that is being replaced will mature on or prior to the date such substitute letter of credit is delivered to the Issuing and Paying Agent and becomes effective pursuant to its terms.

Pledge of Subordinate Revenues

To the extend draws under the Letter of Credit are not honored, the City has pledged Subordinate Revenues to the payment of the principal of and interest on the Notes.

"***Subordinate Revenues***" are for any period, an amount equal to all of the Revenues (as defined below) received during such period less, for such period (a) all amounts which are required to be used to make the payments and deposits into the Interest Account, Principal Account and Bond Reserve Account (all as defined in the Second Lien Trust Indenture), provided that such deposits to be made shall include amounts to be deposited with respect to the Series 2005 Gas Utility Bonds, and (b) all amounts which are required to be used to make payments and deposits for any First Lien Obligations (as defined below).

"***Revenues***" are all those certain revenues earned by the City from the operations or assets of the Enterprise (as defined below), 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.

"***Series 2005 Gas Utility Bonds***" are the City of Long Beach 2005 Gas Utility Refunding Revenue Bonds issued and at any time outstanding under the Second Lien Trust Indenture (as defined below). As of July 1, 2012, there was $1,770,000 aggregate principal amount of the Series 2005 Gas Utility Bonds outstanding with a final maturity date of August 1, 2013.

"***Second Lien Trust Indenture***" is the Indenture of Trust, dated as of February 1, 2005, by and between the City and The Bank of New York Mellon 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. See "THE GAS UTILITY—Indebtedness and Other Obligations."

"***Enterprise***" is 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 the City's municipally owned natural gas utility, operated by the Long Beach Gas and Oil 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.

"***First Lien Obligations***" is 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 below) 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. As of the date of this Offering Memorandum, there are no First Lien Obligations outstanding. "THE GAS UTILITY—Indebtedness and Other Obligations."

Under the Master Subordinate Indenture, the City has pledged, placed a charge upon and assigned all Subordinate Revenues to secure the payment of the principal and premium, if any, of 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.

Rate Covenant

Pursuant to the Master Subordinate Indenture, 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.

"***Net Income Available for Debt Service***" is, 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, 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.

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 errors 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.

Issuance of Additional 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.

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The following summary of the Letter of Credit and the Reimbursement Agreement does not purport to be comprehensive or definitive and is subject in all respects to all of the terms and provisions of the Letter of Credit and Reimbursement Agreement, to which reference is made hereby. Investors are urged to obtain and review a copy of the Letter of Credit and Reimbursement Agreement in order to understand all of its terms. Unless otherwise defined in the following summary, capitalized terms used in the following summary are defined in this Offering Memorandum or the Reimbursement Agreement and reference thereto is made for full understanding of their import

General

The City and the Bank will enter into a Reimbursement Agreement, dated as of July 1, 2012 (the "***Reimbursement Agreement***"), pursuant to which the Bank will issue the Letter of Credit to provide credit support for the timely payment of the principal of and interest on the Notes. In order to ensure timely payment of the principal of and interest on the Notes, at the City's request, the Bank will issue the Letter of Credit to the Issuing and Paying Agent as beneficiary pursuant to, and upon the terms and conditions stated in, the Reimbursement Agreement. On or before the date of maturity of any Note, the Issuing and Paying Agent will draw on the Letter of Credit an amount equal to the principal and interest due on the Notes maturing on such date. Pursuant to the First Supplemental Subordinate Indenture, all amounts received from any drawing on the Letter of Credit are required to be deposited in the related account of the Debt Service Fund established thereunder and held in trust and set aside exclusively for the payment of the principal of and interest on the Notes for which such drawing was made, and the Trustee is required to apply such amounts to the payment of the principal of and interest on such Notes on the applicable maturity date.

Certain Provisions of the Letter of Credit

On July [__], 2012, in accordance with the Reimbursement Agreement, the Bank will issue the Letter of Credit in an initial stated amount of $[_____] (to cover principal of $[_____] and

interest on the Notes accruing at a rate of 12% for 270 days based on a 360-day year). The stated amount of the Letter of Credit may be reduced and reinstated from time to time pursuant to the provisions of the Letter of Credit. All payments made by the Bank under the Letter of Credit will be made with the Bank's own funds in immediately available funds.

The Letter of Credit will expire on the date (the "***Termination Date***") which is the earliest of: (a) July [__], 20[14] (the "***Letter of Credit Expiration Date***"), as such date may be extended pursuant to the terms of the Letter of Credit, (b) the date of payment of a drawing, not subject to reinstatement, which equals the Stated Amount, (c) the receipt by the Bank of a certificate signed by an authorized representative of the Issuing and Paying Agent stating that the Issuing and Paying Agent has accepted a substitute credit facility or stating that there are no Notes outstanding and the City does not intend to issue any additional Notes, or (d) the date when the Issuing and Paying Agent surrenders the Letter of Credit to the Bank for cancellation. All drawings under the Letter of Credit are to be paid from immediately available funds of the Bank.

Events of Default and Remedies Under the Reimbursement Agreement

Events of Default. The occurrence of any of following constitutes an "***Event of Default***" under the Reimbursement Agreement (capitalized terms used under this caption "—Events of Default" and not otherwise defined elsewhere in this Offering Memorandum will have the meanings set forth in the Reimbursement Agreement):

(a) any representation or warranty made by the City in the Reimbursement Agreement or any representation or warranty made by the City in any of the other Related Documents or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the Reimbursement Agreement or with any of the other Related Documents, proves to have been incorrect, incomplete or misleading in any material respect;

(b) any "event of default" occurs under any of the Related Documents;

(c) failure of the City to pay when due (i) any Reimbursement Obligation or fee payable pursuant to the Reimbursement Agreement or (ii) any other Obligation and such failure continues for a period of three Business Days;

(d) default in the due observance or performance by the City of certain covenants set forth in the section of the Reimbursement Agreement detailing covenants of the City;

(e) default in the due observance or performance by the City of any other term, covenant or agreement not otherwise covered by clause (d) above, in the Reimbursement Agreement and the continuance of such default for 30 days after the occurrence thereof; provided, however, that if compliance cannot reasonably be achieved within such 30 day period, such period can be extended for up to a maximum of an additional 30 days if the City in good faith has diligently commenced and is continuously pursuing corrective action necessary to cure such default;

(f) any material provision of the Reimbursement Agreement or any of the Related Documents ceases to be valid and binding, or the City contests any such provision, or the City or any agent or trustee on behalf of the City denies that it has any or further liability under the Reimbursement Agreement or any of the Related Documents;

(g) the City fails to make any payment in respect of any First Lien Obligations, Second Liens Obligations or Subordinate Obligations or any other Debt secured by a lien, charge or encumbrance on Revenues (collectively, the "***Secured Debt***") when due (including the Notes) (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), or default in the observance or performance of any condition or agreement relating to any Secured Debt or in any instrument evidencing, securing or relating thereto, or any other event or condition occurs which results in the acceleration of the maturity of any Secured Debt or enables (or with the giving of notice or lapse of time, or both, would enable) the holder of such Secured Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(h) one or more judgments, orders, writs, warrants of attachment, decrees or similar processes against the City for the payment of money payable out of Revenues or attachments against the property of the City which is used by or in conjunction with the Enterprise or which constitutes Revenues, the operation or result of which, individually or in the aggregate, equal or exceed $1,000,000 remains unpaid, unstayed, undischarged, unbonded or undismissed for a period of 60 days;

(i) the City commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to it or the Enterprise or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or the Enterprise or any substantial part of its Property, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or takes any action to authorize any of the foregoing; or the State or any other governmental authority having jurisdiction over the City imposes a debt moratorium, debt restructuring, or comparable restriction on repayment when due and payable of the principal of or interest on any Debt by the City; or an involuntary case or other proceeding is commenced against the City seeking liquidation, reorganization or other relief with respect to it or the Enterprise or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or the Enterprise or any substantial part of its Property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against the City under the federal bankruptcy laws in effect;

(j) any event of default under and as defined in the Second Lien Trust Indenture or the Master Subordinate Indenture or in any other ordinance or resolution authorizing the issuance of First Lien Obligations, Second Lien Obligations or Subordinate Obligations occurs and is continuing;

(k) the Lien created by the Second Lien Trust Indenture, the Master Subordinate Indenture, the First Supplemental Subordinate Indenture [the Second Supplemental Subordinate Indenture] or the Reimbursement Agreement ceases to constitute a valid and perfected Lien on the Revenues or Pledged Funds with the priority purported to be created thereby, or the City asserts in writing; or

(l) the occurrence of any Investment Grade Downgrade Event.

Remedies. If any Event of Default occurs, the Bank may: (a) by notice to the City, declare all Obligations (other than the Notes) to become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by the City; provided that upon the occurrence

of an Event of Default under clause (i) above, such acceleration automatically occurs (unless such automatic acceleration is waived by the Bank in writing); (b) by notice of the occurrence of any Event of Default to the Issuing and Paying Agent prohibit, until such time, if any, as the Bank withdraws such notice in writing, the issuance of additional Notes, reduce the Stated Amount of a Letter of Credit to the amount of the then Outstanding Notes supported by such Letter of Credit and interest payable thereon at maturity of such Notes and/or terminate such Stated Amount as the then Outstanding Notes are paid; (c) pursue any rights and remedies it may have under the Related Documents; or (d) pursue any other action available at law or in equity.

THE BANK

General

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 OR THE ENTERPRISE.

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 shall 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 of New York Mellon

[TO BE PROVIDED BY THE BANK]

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. The Enterprise is operated by Long Beach Gas and Oil Department, formerly known as the Energy Department of the City (the "***Gas and Oil Department***") which is under the direction of a Director, who is appointed by the City Manager. The Enterprise, the fourth largest municipal gas utility in the United States, serves approximately [142,000] customers. The Gas and Oil 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 Enterprise customer load profile is [68]% residential and [32]% commercial/industrial.

Natural Gas Distribution System

The natural gas distribution system infrastructure has a replacement value of approximately $[750] million and is the primary focus of the Gas and Oil 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 [1,800] miles of pipe, [2,850] valves (a mixture of plug, ball, and gate), approximately [152,000] meters, [four] CNG stations and [11] delivery stations.

Sources of Natural Gas Supply

The Gas and Oil Department has contracts with several local natural gas suppliers within the City for natural gas supplies ("***Local Production***"). This supply covers approximately [20]% of the City's total natural gas requirements. To cover the natural gas supplies required above the Local Production, the City, on behalf of the Gas and Oil Department, entered into the Supply Agreement (as described below) to provide the remaining natural gas requirements.

In 2007, the Long Beach Bond Finance Authority ("***LBBFA***") issued its Natural Gas Purchase Revenue Bonds, Series 2007A and Series 2007B (the "***Series 2007 Gas Prepay Bonds***") in the aggregate principal amount of $887,360,000 for the purpose of, among other things, making a lump sum prepayment to Merrill Lynch Commodities, Inc. ("***Merrill***") to acquire a supply of natural gas (the "***Gas Supply***") for delivery over a period of approximately 30 years to the City. The Gas Supply will be purchased by LBBFA from Merrill pursuant to a Prepaid Natural Gas Purchase and Sale Agreement, dated September 13, 2007 (the "***Prepaid Gas Agreement***"), by and between Merrill and LBBFA. The Gas Supply being purchased pursuant to the Prepaid Gas Agreement is being sold by LBBFA to the City pursuant to a Natural Gas Supply Agreement, dated September 13, 2007 (the "***Supply Agreement***"), by and between LBBFA and the City. The Supply Agreement terminates on November 1, 2037. The City's obligations under the Supply Agreement are a Maintenance and Operation Expense of the Enterprise and therefore are payable from Revenues on parity with the Second Lien Obligations and prior to the payment of the Subordinate Obligations (including the Notes).

The Gas and Oil Department also entered into a Master Services Agreement with Shell Energy North America ("***Shell***"), effective April 1, 2009. Shell agreed to provide the City with the following services: (a) forecasting of the daily natural gas supply requirements of the City; (b) scheduling and delivery of natural gas for and to the City; and (c) management of certain agreements associated with the Enterprise. In addition to paying for the natural gas delivered to the City, the City has agreed to pay Shell a fee of $4,635 per month for services provided under the Master Services Agreement.

Environmental Issues Relating to the Enterprise

The Gas and Oil 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 Gas and Oil 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. Such replacement costs are expected to be funded from proceeds from commercial paper issuance funds

of the Gas and Oil 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 Gas and Oil Department are expected to improve the integrity of the system. Pipeline replacements are determined by the pipeline condition. Pipeline condition is evaluated in accordance with regulations established by the Department of Transportation ("***DOT***"). This evaluation, along with other factors such as street improvements or redevelopment projects, determines which segments of pipeline will be replaced.

The Gas and Oil Department is also following DOT regulations in performing a pressure upgrade to the system. This 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 Gas and Oil Department spent approximately $[__] million on capital improvements to the Enterprise between 2008 and 2011.] Such costs were financed from proceeds from commercial paper issuance and gas prepay cost discount. The Gas and Oil Department expects to spend approximately $[___] million on capital improvements to the Enterprise between 2012 and 2013.] Contemplated capital improvement projects include the replacement of gate valves, installation 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 Gas and Oil 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 Enterprise. Natural gas costs make up approximately [49.7]% of the Enterprise's Fiscal Year 2012 budget. Pursuant to the Supply Agreement, the Gas and Oil Department will pay for the natural gas delivered by Merrill under the Prepaid Gas Agreement based upon the first-of-month Southern California Border index price published by Natural Gas Intelligence. A separate International Swap Dealers Association Agreement (the "***ISDA Agreement***") with Shell provides price protections for Gas and Oil Department customers from large fluctuations in the natural gas market. This ISDA Agreement sets a minimum and maximum price paid on a pre-determined volume of gas, which ensures that the Gas and Oil Department's customers will not be affected by rising as prices similar to those experienced in the gas crisis of [2000-01], which saw prices rise to the level of $16 per million British Thermal Units ("***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 March 1, 2009.]

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 [255,000] 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 2011, the Enterprise supplied approximately [142,000] users with approximately [_____] MMBtu of natural gas. In Fiscal Year 2012, the Enterprise expects to supply approximately [142,000] users with approximately [_____] MMBtu of natural gas. In the aggregate, the ten largest customers of the Gas and Oil Department for Fiscal Year 2011 represented approximately [5]% of the annual natural gas sales by the Gas and Oil 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.

Gas and Oil 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		
2011	$	$	$	$						
2010										
2009	53,055	20,452	192	73,699	4,994,284	4,073,694	150,894	9,218,872	7.99	142
2008	71,568	28,777	847	101,192	5,379,859	4,347,880	516,453	10,244,192	9.88	146
2007	65,530	26,045	748	32,323	5,457,894	5,013,655	452,062	19,923,611	8.45	145

Source: Gas and Oil Department

Indebtedness and Other Obligations

First Lien Obligations. Nothing in the Subordinate Indenture prohibits the City from issuing First Lien Obligations, which would have 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 authorized under the Master Subordinate Indenture, and senior to that of the Series 2005 Gas Utility Bonds. As of the date of this Offering Memorandum, there are no First Lien Obligations outstanding.

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 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 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.

Second Lien Obligations. Pursuant to the Second Lien Trust Indenture, the Series 2005 Gas Utility Bonds were issued in the aggregate principal amount of $7,675,000, which as of July 1, 2012 were outstanding in the aggregate principal amount of $1,770,000. The Series 2005 Gas Utility Bonds have a final maturity date of August 1, 2013. 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 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.

Subordinate Obligations. Other than the Notes and the obligations owed to the Bank under the Reimbursement Agreement, the City has not issued or incurred any other Subordinate Obligations. Subordinate Obligations are secured by a pledge of and lien on Subordinate Revenues. The City granted to the Bank a lien on Subordinate Revenues on parity with the Notes with respect to certain obligations owed by the City to the Bank under the Reimbursement Agreement.

Pursuant to the terms and conditions of the Master Subordinate Indenture, the City may issue additional Subordinate Obligations payable from a pledge and lien on Subordinate Revenues.

Prepaid Gas Supply Agreement. Pursuant to the Supply Agreement, the City has agreed to purchase the Gas Supply provided by Merrill under the Prepaid Gas Agreement. The Supply Agreement terminates, unless earlier terminated, on November 1, 2037. The City's obligations under the Supply Agreement are a Maintenance and Operation Expense of the Enterprise and therefore are payable from Revenues on parity with the Second Lien Obligations and prior to the payment of the Subordinate Obligations (including the Notes).

Miscellaneous

The City and the Gas and Oil Department maintain various websites, the information on which is not part of this Offering Memorandum nor has such information been incorporated by reference herein, and such websites should not be relied upon in deciding whether to invest in the Notes.

INVESTMENT CONSIDERATION

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 OR THE ENTERPRISE. 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

General. On July 27, 2005, Kutak Rock LLP, Bond Counsel, delivered its opinion that 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 was 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.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series A Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to

collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series A Notes from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes to Federal and State Tax Laws. From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Series A Notes. An example is the American Jobs Act of 2011, proposed by President Obama on September 12, 2011 and introduced in the United States Senate on September 13, 2011. If enacted as introduced, a provision of the American Jobs Act of 2011 would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012, and as a result could affect the market price or marketability of the Series A Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series A Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series A Notes or the market value thereof would be impacted thereby. Purchasers of the Series A Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. [The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of Bond Counsel's final opinion with respect to the Series A Notes (a form of which is attached to this Offering Memorandum as Appendix A) and Bond Counsel has expressed no opinion as of any date subsequent to the date of its final opinion with respect to the Series A Notes or with respect to any pending legislation, regulatory initiatives or litigation.]

Federal Tax Matters of the Series B Notes

Holders of the Series B Notes should be aware that: (a) the discussion in this Offering Memorandum with respect to U.S. federal income tax consequences of owning the Series B Notes is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

General. The following is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of the Series B Notes. This discussion is based on the Code, as well as final, temporary and proposed Treasury Regulations (the "***Regulations***") and administrative and judicial decisions as of the date of this Offering Memorandum, all of which are subject to change or possible differing interpretation. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances including certain types of investors subject to special treatment under the federal income tax laws. Moreover, except as expressly indicated, this summary addresses initial purchasers of the Series B Notes that (a) purchase at a price equal to the first price to the public at which a substantial amount of the Series B Notes is sold; and (b) hold their Series B Notes as capital assets within the meaning of Section 1221 of the Code. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Series B Notes (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic

security" or other integrated investment (including a "conversion transaction") comprised of a Series B Note and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed below under "—Non-United States Holders," this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the Series B Notes. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "***Service***") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions. The following discussion assumes that the Series B Notes are characterized as short-term obligation under Section 1283(a) of the Code.

Persons considering the purchase of Series B Notes should consult their own tax advisors concerning the Federal income tax consequences to them in light of their particular situations as well as any consequences to them under the laws of any other taxing jurisdiction.

United States Holders.

(a) Payments of Interest. In general, interest on a Series B Note (including any acquisition discount properly allocable to certain of the Series B Notes) will be taxable to an owner who or which is (i) a citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any state (including the District of Columbia) or (iii) a person otherwise subject to federal income taxation on its worldwide income (a "***United States holder***") as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. For cash basis owners, such payments will be included in income when received (or when made available for receipt, if earlier). For accrual basis owners, such payments will be included in income when all events necessary to establish the right to receive such payments have occurred.

(b) Series B Notes Purchased with Acquisition Discount. A Series B Note will be subject to the "acquisition discount" rules. In general, acquisition discount is the excess of the stated redemption price at maturity of a Series B Note less the holder's basis in a Series B Note. Thus, acquisition discount generally will occur where a holder acquires a Series B Note for an amount that is less than the Series B Note's principal amount.

If acquisition discount exists, then, in general, the owner of a Series B Note using the accrual method of accounting, and certain owners of partnerships, S corporations, trusts and other pass-through entities, will be required to include such discount in gross income as it accrues in advance of the receipt of the cash attributable to such discount income. Acquisition discount accrues on a straight line basis based on the number of days to maturity unless the United States holder elects to accrue such discount on a constant interest accrual method using daily compounding. That election is applicable only to the acquisition discount obligation with respect to which it is made and is irrevocable. A United States holder of an acquisition discount note that is not required to include acquisition discount in income currently generally may be required to defer deductions for interest on borrowings allocable to the note in an amount not exceeding the accrued acquisition discount on such note until the maturity or disposition of the note.

(c) Purchase, Sale, Exchange and Retirement of the Series B Notes. A United States holder's tax basis in a Series B Note generally will equal its cost, increased by any acquisition discount included in the United States holder's income with respect to the Series B Note. A United States holder generally will recognize gain or loss on the sale, exchange or retirement of a Series B Note equal to the difference between the amount realized on the sale or retirement, except to the extent attributable to accrued but unpaid stated interest, and the United States holder's tax basis in the Series B Note. Except to

the extent that a United States holder of an acquisition discount note is not required to include acquisition discount in income currently, see above under "—Series B Notes Purchased with Acquisition Discount," gain or loss recognized on the sale, exchange or retirement of a Series B Note will be short-term capital gain or loss, respectively. To the extent that a United States holder of an acquisition discount note is not required to include acquisition discount in current income, gain recognized on the sale, exchange or retirement of a Series B Note will be treated as ordinary income to the extent that such gain does not exceed the amount that would have accrued as acquisition discount on such note had the accrual rules applied.

Non-United States Holders. The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Series B Notes by a person other than a United States holder (a "***non-United States holder***").

An owner of a Series B Note that is a non-United States holder and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series B Note will generally not be subject to United States income or withholding tax in respect of a payment on a Series B Note, provided such income is treated as portfolio interest. Interest will be treated as portfolio interest if (a) the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner); (b) such interest is treated as not effectively connected with the owner's United States trade or business; (c) interest payments are not made to a person within a foreign country which the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (d) interest payable with respect to the Series B Notes is not deemed contingent interest within the meaning of the portfolio debt provision; and (e) the owner claiming the portfolio interest exemption is not deemed to be a foreign bank that acquired the Series B Notes pursuant to an extension of credit entered into in the ordinary course of its banking business.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax, at the applicable rate determined by statute, will apply to interest paid and acquisition discount accruing with respect to Series B Notes owned by non-United States holders. In those instances in which payments of interest with respect to the Series B Notes continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest with respect to, or the sale or exchange of Series B Notes having acquisition discount and held by non-United States holders.

Purchasers of Series B Notes that are non-United States holders should consult their own tax advisors with respect to the possible applicability of United States withholding and other taxes upon income realized in respect of the Series B Notes.

Backup Withholding. Payments of interest (including acquisition discount) with respect to 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 a recipient of such payments: (a) fails to furnish to the payer its taxpayer identification number; (b) furnishes an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to Series B Note owners, including payments to certain exempt recipients (such as certain exempt organizations) and to non-United States holders, provided they establish their entitlement to this exemption. 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. Owners of the Series B Notes should consult their tax advisors regarding their qualification for such exemption from withholding and the procedure for obtaining such an exemption.

State Tax Matters of the Series B Notes

Bond Counsel is of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series B Notes, when issued in accordance with the Subordinate Indenture, will be exempt from State of California personal income taxes.

Bond Counsel expresses no opinion regarding any other state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Notes.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "***ERISA Plans***") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series B Notes must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to Title I of ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and Section 4975 of the Code generally prohibit certain transactions between an ERISA Plan or "plan" as defined in and subject to Section 4975 of the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of Section 4975 of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Series B Note could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as individual retirement accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Department or any broker dealer of the Series B Notes might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of Section 4975 of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Section 4975 of the Code or Section 503 of the Code. Prohibited transactions within the meaning of ERISA and Section 4975 of the Code or Section 503 of the Code may arise if the Series B Notes are acquired by such plans or arrangements with respect to which the Department or any broker dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series B Notes. The sale of the Series B Notes to a plan is in no respect a representation by the Department or the dealers of the Series B Notes that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series B Notes should consult with its counsel to confirm that such investment

is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

By its acceptance of a Series B Note, each purchaser will be deemed to have represented and warranted that either (i) no "plan assets" of any plan have been used to purchase such Series B Note, or (ii) the dealers are not a party in interest with respect to the "plan assets" of any plan used to purchase such Series B Notes, or (iii) the purchase and holding of such Series B Notes is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

THE DEALER

The City has appointed Barclays Capital 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, as amended, 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.

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. Such ratings will expire upon the expiration of the Letter of Credit.

Such ratings reflect only the views of such rating agencies and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York New York 10004; and Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The City and the Bank furnished the rating agencies with certain information and materials concerning the Notes, the City and the Bank, as applicable. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings 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 downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes.

LEGAL MATTERS

The opinion delivered by Bond Counsel, with respect to the validity of the Notes and certain other legal matters, is set forth in Appendix A hereof.

NO CONTINUING DISCLOSURE OBLIGATION

The Notes are exempt from the continuing disclosure requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

ADDITIONAL INFORMATION

The purpose of this Offering Memorandum is to provide information to purchasers of the Notes. The information contained herein has been obtained from the City, the Bank, the Trustee, the Issuing and Paying Agent, DTC and other sources believed to be reliable. No attempt is made herein to summarize

the Subordinate Indenture, the Letter of Credit, the Reimbursement Agreement, the Issuing and Paying Agent Agreement, terms and provisions of the Notes or other matters which may be material to a decision to purchase the Notes. Purchasers of the Notes are expected to conduct their own due diligence and analysis prior to making an investment decision.

The references herein to the Subordinate Indenture, the Letter of Credit, the Reimbursement Agreement, the Issuing and Paying Agent Agreement and the Notes do not purport to be complete or definitive, do not constitute summaries thereof and are qualified in their entirety by reference to provisions thereof. Copies of Subordinate Indenture, the Letter of Credit, the Reimbursement Agreement, the Issuing and Paying Agent Agreement are on file with the Trustee and the Issuing and Paying Agent.

Requests for any of the foregoing should be directed to:

Deutsche Bank National Trust Company
100 Plaza One, 6th Floor
MS: JCY03-0699
Jersey City, New Jersey 07311
Telephone: (201) 593-2511
Facsimile: (201) 860-4520
Attention: Debra A. Schwalb

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. The information contained herein and in the Appendices hereto is subject to change without notice and neither the delivery hereof nor any sale made hereunder will create any implication that there has been no change in the affairs of the City, the Enterprise or the Bank since the date hereof.

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. 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.

APPENDIX A

BOND COUNSEL'S OPINION
DATED JULY 27, 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-05-0052 adopted by the City Council of the City of Long Beach on July 12, 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 27, 2005, by the City; and Irrevocable Letter of Credit No. CTCS-645709, dated July 27, 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 opinion 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 6 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,

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APPENDIX B

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption "—General" below has been provided by The Depository Trust Company ("DTC"). The Department, the Trustee, the Issuing and Paying Agent and the Dealer make no representation as to the accuracy or the completeness of such information. The Beneficial Owners (as defined below) of the Notes should confirm the following information with DTC, the Direct Participants (as defined below) or the Indirect Participants (as defined below).

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 OWNERS 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

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) or such other name as may be requested by an authorized representative of DTC. One fully registered Master Note Certificate will been issued for each Series of the Notes, each such Master Note Certificates being in the aggregate principal amount of $35,000,000, and is on deposit with DTC.

DTC 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 3.5 million issues of U.S. and non-U.S. equity issues, 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 post-trade settlement among Direct Participants of sales and other 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 ("Indirect Participants"). DTC has Standard & Poor's rating of "AA+." The DTC Rules applicable to Direct 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 has not undertaken any responsibility for and make no representations as to the accuracy or the completeness of the content of such material contained on the websites 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 the 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 the 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 DTC nominee do not affect 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. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or the Issuing and Paying Agent 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).

Principal and interest payments 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 detail information from the City or the Issuing and Paying Agent, on the payment date 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 securities 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, the City or

the Issuing and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) 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 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 depository is not obtained, certificates representing the Notes 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, certificates representing the Notes 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.