



Date: June 18, 2007
To: Gerald R. Miller, City Manager *gjm*
From: Michael A. Killebrew, Director of Financial Management *MAK*
David S. Nakamoto, City Treasurer *DN*
For: Mayor and Members of the City Council
Subject: Preliminary Official Statement (POS) for Community Facilities District No. 2007-1,
Improvement Area A

Attached you will find the Preliminary Official Statement (POS) for the Special Tax Bonds Series 2007A for Community Facilities District No. 2007-1 (Douglas Park – Commercial Area), Improvement Area A, in the amount of \$16 million. Item #44 is going before City Council on Tuesday, June 19, 2007; it will authorize the issuance of these bonds. The POS describes the Douglas Park development and the relevant terms of the bonds.

If you have any questions, I can be reached at x86845.

Thank you.

T:\Correspondences\POS memo_Douglas Park 2007A_06192007

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2007

NEW ISSUE - BOOK-ENTRY-ONLY

NO RATING

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to certain qualifications described herein, under existing law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$16,000,000*

IMPROVEMENT AREA A OF THE CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)
SPECIAL TAX BONDS, SERIES 2007-A

Dated: Date of Delivery

Due: September 1, as shown on inside cover

Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park - Commercial Area) Special Tax Bonds, Series 2007-A (the "Bonds") are being issued and delivered to (i) finance the acquisition and construction of various public improvements, (ii) fund a reserve fund, (iii) fund capitalized interest on the Bonds through and including September 1, 2007, and (iv) pay the costs related to the issuance of the Bonds. Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park - Commercial Area) (the "District") is located in the City of Long Beach (the "City").

The Bonds are authorized to be issued pursuant to the City's Municipal Code, and are being issued pursuant to that certain Fiscal Agent Agreement, by and between the City for and on behalf of the District and The Bank of New York Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), dated as of July 1, 2007 (the "Fiscal Agent Agreement"). The Bonds are limited obligations of the City and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of the taxable land within the District and from certain other funds pledged under the Fiscal Agent Agreement, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment of special taxes approved by the City Council of the City and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable on September 1, 2007 and semiannually thereafter on each March 1 and September 1. Principal of, premium, if any, and interest on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See "THE BONDS—Description of the Bonds" and APPENDIX F—"BOOK-ENTRY—ONLY SYSTEM" herein.

Neither the full faith and credit nor the taxing power of the City, the County of Los Angeles, the State of California or any political subdivision thereof is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are limited obligations of the City payable solely from Special Taxes and certain amounts held under the Fiscal Agent Agreement as more fully described herein.

The Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments and mandatory sinking payment redemption prior to maturity as set forth herein. See "THE BONDS—Redemption" herein.

THE PURCHASE OF THE BONDS INVOLVES CERTAIN RISKS AND THE BONDS ARE NOT SUITABLE INVESTMENTS FOR ALL TYPES OF INVESTORS. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued subject to approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by the City Attorney and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriter's Counsel. Certain legal matters will be passed on for McDonnell Douglas Corporation and Boeing Realty Corporation by their counsel Goodwin Procter LLP, Century City, California. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York, on or about July __, 2007.

MERRILL LYNCH & CO.

Dated: _____, 2007

\$16,000,000*
**IMPROVEMENT AREA A OF THE CITY OF LONG BEACH
 COMMUNITY FACILITIES DISTRICT NO. 2007-1
 (DOUGLAS PARK - COMMERCIAL AREA)
 SPECIAL TAX BONDS, SERIES 2007-A**

MATURITY SCHEDULE

Base CUSIP No.†: _____

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Cusip No.†</i>
	\$	%	%	

\$ _____ % Term Bonds due September 1, 20__ Yield: _____% Cusip No.† _____
 \$ _____ % Term Bonds due September 1, 20__ Yield: _____% Cusip No.† _____

* Preliminary, subject to change.

† Copyright 2007, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for reference only. The City, the Financial Advisor and the Underwriter do not assume any responsibility for the accuracy of such numbers.

\$16,000,000*
**IMPROVEMENT AREA A OF THE CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)
SPECIAL TAX BONDS, SERIES 2007-A**

CITY OF LONG BEACH

City Council

Bob Foster, Mayor
Bonnie Lowenthal, Vice Mayor
Suja Lowenthal, Councilmember
Gary DeLong, Councilmember
Patrick O'Donnell, Councilmember
Gerrie Schipske, Councilmember
Tonya Reyes Uranga, Councilmember
Rae Gabelich, Councilmember
Val Lerch, Councilmember

City Officials and Staff

Gerald R. Miller, City Manager
Christine F. Shippey, Assistant City Manager
Robert E. Shannon, City Attorney
Larry Herrera, City Clerk
Michael Killebrew, Director of Financial Management
David Nakamoto, City Treasurer
Mark Christoffels, City Engineer
Amy Bodek, Project Development Manager

SPECIAL SERVICES

Bond Counsel

Quint & Thimmig LLP
San Francisco, California

Fiscal Agent

The Bank of New York Trust Company, N.A.
Los Angeles, California

Financial Advisor to the City

Fieldman, Rolapp & Associates
Irvine, California

Underwriter's Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

Market Absorption Consultant

Empire Economic, Inc.
Capistrano Beach, California

Special Tax Consultant

Koppel & Gruber Public Finance
San Marcos, California

Appraiser

Stephen G. White, MAI
Fullerton, California

* Preliminary, subject to change.

No dealer, broker, salesperson or other person has been authorized by the City, the District, the Fiscal Agent or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the District, the Fiscal Agent or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with a nationally recognized municipal securities depository.

The Underwriter has provided the following sentence for inclusion in this Official Statement: the Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein which has been obtained by the City from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the City, the District or the Fiscal Agent. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District, the landowners within the District or any other parties described herein since the date hereof. All summaries of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT," "PROPERTY OWNERSHIP AND THE DEVELOPMENTS," APPENDIX G—"APPRAISAL REPORT" and APPENDIX I—"MARKET ABSORPTION STUDY."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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[LOCATION MAP]

\$16,000,000*
**IMPROVEMENT AREA A OF THE CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)
SPECIAL TAX BONDS, SERIES 2007-A**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the "Official Statement"), is to provide certain information concerning the issuance by the City of Long Beach (the "City") of the \$16,000,000* Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park - Commercial Area) Special Tax Bonds, Series 2007-A (the "Bonds"). The proceeds of the Bonds will be used to (i) finance the acquisition and construction of various public improvements, (ii) fund the Reserve Fund, (iii) fund capitalized interest on the Bonds through and including September 1, 2007 and (iv) pay the costs related to the issuance of the Bonds.

The Bonds are to be issued pursuant to a Fiscal Agent Agreement by and between the City acting on behalf of the Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park - Commercial Area) (the "District") and The Bank of New York Trust Company, N.A. (the "Fiscal Agent"), dated as of July 1, 2007 (the "Fiscal Agent Agreement"). The Bonds are secured under the Fiscal Agent Agreement by a pledge of and lien upon Special Tax Revenues (as defined therein) and all moneys on deposit in the Bond Fund (including the Special Tax Prepayments Account and the Capitalized Interest Account therein), the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund created thereunder. See "SOURCES OF PAYMENT FOR THE BONDS."

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in, this entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined herein shall have the meanings set forth in APPENDIX C—"SUMMARY OF THE FISCAL AGENT AGREEMENT—Definitions" herein.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a "plan," "expect," "estimate," "project," "budget" or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT," "PROPERTY OWNERSHIP AND THE DEVELOPMENTS," APPENDIX G—"APPRAISAL REPORT" and APPENDIX I—"MARKET ABSORPTION STUDY."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE DISTRICT NOR THE CITY PLANS TO ISSUE

* Preliminary, subject to change.

ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

The District

General. The District is situated in the central portion of the City, next to the Long Beach Airport, northerly of Interstate 405, between Interstate 605 to the east and Interstate 710 to the west. The District encompasses approximately 81 acres and 68.25 developable acres. McDonnell Douglas Corporation, a Maryland Corporation (“McDonnell Douglas”) owns approximately 180 acres of property adjacent to the District which it is developing along with the District pursuant to a Development Agreement with the City. The land-use entitlements for all of the acreage being developed by McDonnell Douglas allow up to 3.1 million square feet of office, research and development, retail, hotel and light industrial uses. The land within the District is planned for approximately 481,000 square feet of light industrial uses and 647,000 square feet of office space.

The City was petitioned by McDonnell Douglas to form the District to provide funds to finance a portion of the infrastructure required to support the development of the property within the District. The land in the District is presently in a graded condition, with master infrastructure being installed. As of April 24, 2007, no building permits have been issued for property within the District. See “PROPERTY OWNERSHIP AND THE DEVELOPMENTS.”

The owners of the property in the District are McDonnell Douglas, which is a wholly-owned subsidiary of The Boeing Company, a Delaware corporation (“Boeing”), and Douglas Park 1-2, LLC, a Delaware limited liability company (“Douglas Park LLC” and together with McDonnell Douglas, “the Developers”). Boeing Realty Corporation, a California corporation (“Boeing Realty Corporation”), a wholly owned subsidiary of Boeing, is developing the site on behalf of McDonnell Douglas. As of April 24, 2007, McDonnell Douglas owned 45.87 acres within the District and Douglas Park LLC owned 22.38 acres within the District. For certain information concerning the Developers and their expected development within the District, see “PROPERTY OWNERSHIP AND THE DEVELOPMENTS.”

Formation Process. The District was formed on February 20, 2007 and the Bonds are being issued pursuant to the provisions of the Long Beach Special Tax Financing Improvement Law, Long Beach Municipal Code Section 3.52.511 *et seq.* (the “Law”). The Law was enacted by the City in accordance with the City Charter to provide a method of financing certain public capital facilities and services within the City.

On February 20, 2007, at an election held pursuant to the Law, the Developers, as the qualified electors of the District, authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed \$16,000,000 and approved the rate and method of apportionment of the Special Taxes for the District which will be levied to repay the Bonds. The rate and method of apportionment of the Special Taxes is set forth in Appendix A hereto (the “Rate and Method”). See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Rate and Method of Apportionment of Special Taxes*” and APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

The Appraisal

An appraisal report for the land and existing improvements within the District was prepared by Stephen White, MAI, Fullerton, California (the “Appraiser”). The appraisal report dated April 27, 2007, establishes a date of value of April 24, 2007 and is entitled “Summary Appraisal Report Covering the City of Long Beach Community Facilities District No. 2007-1 Improvement Area A (Douglas Park)” (the “Appraisal”). See APPENDIX G—“APPRAISAL REPORT.” The Appraisal provides an estimate of the market value of the fee simple interest of the property within the District, subject to the lien of the Special Tax. The Appraiser is of the opinion that the market value of the land and improvements in existence within the District as of April 24, 2007 was \$88,370,000. This value results in an overall District-wide appraised value-

to-lien ratio (including the Bonds and all direct and overlapping tax and assessment debt) of approximately 5.42*-to-1. See “THE COMMUNITY FACILITIES DISTRICT—Estimated Value-to-Lien Ratios—*Property Values.*”

The Appraisal is based upon a variety of assumptions and limiting conditions that are described in the full text of the Appraisal included in Appendix G. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the date of value. The City and the District make no representation as to the accuracy of the Appraisal. There is no assurance that the property within the District can be sold for the amounts set forth in the Appraisal or that any parcel can be sold for a price sufficient to pay the Special Taxes for that parcel in the event of a default in payment of Special Taxes by the owner of such parcel. See “SPECIAL RISK FACTORS—Land Values” and APPENDIX G—“APPRAISAL REPORT” herein.

Market Absorption Study

In order to provide information with respect to the potential market demand for the proposed development within the City, the District retained Empire Economics, Inc. (the “Market Absorption Consultant”) to conduct an absorption analysis and to prepare a report regarding projected absorption. The Market Absorption Consultant prepared a report dated March 7, 2007 (the “Market Absorption Study”). The Market Absorption Study is attached to this Official Statement as Appendix I. The Market Absorption Study assumes that the District will be developed with light industrial and office structures. Based on the assumptions and subject to the limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant has concluded that the estimated absorption for the light industrial and office structures within the District will occur between 2008 and 2015. See “THE COMMUNITY FACILITIES DISTRICT – Market Absorption” and APPENDIX I – “MARKET ABSORPTION STUDY”.

Sources of Payment for the Bonds

As used in this Official Statement, the term “Special Tax” refers only to Special Tax A (as defined in the Rate and Method) which has been authorized pursuant to the Law to be levied against taxable property within the District in accordance with the Rate and Method. A Special Tax B, which is not pledged to repay the Bonds, will also be levied annually within the District to pay for certain public services eligible to be funded by the District. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.” Under the Fiscal Agent Agreement, the City has pledged to repay the Bonds from the Special Tax Revenues and amounts on deposit in the Bond Fund (including the Special Tax Prepayments Account and the Capitalized Interest Account therein), the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund established under the Fiscal Agent Agreement. Special Tax Revenues are defined in the Fiscal Agent Agreement to include the proceeds of the Special Tax A received by the City, including any scheduled payments and prepayments thereof, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Tax A to the amount of said lien and interest thereon. Special Tax Revenues do not include any penalties collected in connection with delinquent Special.

The Special Taxes are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in certain funds under the Fiscal Agent Agreement, including amounts held in the Reserve Fund. The City has covenanted for the benefit of the owners of the Bonds, in certain circumstances, that it will commence, or cause to be commenced, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales.*”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA OR ANY POLITICAL

* Preliminary, subject to change.

SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM SPECIAL TAXES AND CERTAIN AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED HEREIN.

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Fiscal Agent Agreement. See APPENDIX F—“BOOK-ENTRY-ONLY SYSTEM” herein.

Principal of, premium, if any, and interest on the Bonds is payable by the Fiscal Agent to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry-only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Fiscal Agent, all as described herein. See APPENDIX F—“BOOK-ENTRY-ONLY SYSTEM” herein.

The Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments and mandatory sinking payment redemption as described herein. For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and APPENDIX C—“SUMMARY OF THE FISCAL AGENT AGREEMENT” herein.

Tax Matters

In the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with certain covenants set forth in the Fiscal Agent Agreement described herein, is excludable from gross income of the owners of the Bonds for federal income tax purposes and is not included as a specific preference item for purposes of the federal alternative minimum tax. Set forth in Appendix E is the opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and the tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “TAX MATTERS” herein.

Professionals Involved in the Offering

The Bank of New York Trust Company, N.A., Los Angeles, California, will act as Fiscal Agent under the Fiscal Agent Agreement and as the initial Dissemination Agent under the City Continuing Disclosure Agreement and the Developer Continuing Disclosure Agreements. The legal proceedings in connection with the issuance and delivery of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed on for the City and the District by the City Attorney, for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California and for McDonnell Douglas and Boeing Realty Corporation by their counsel Goodwin Procter LLP, Century City, California. Other professional services have been performed by Fieldman Rolapp & Associates, Irvine, California, as Financial Advisor to the City, Koppel & Gruber Public Finance, San Marcos, California, as Special Tax Consultant to the City, Stephen White, MAI, Fullerton

California, as Appraiser and Empire Economics, Inc., Capistrano Beach, California, as Market Absorption Consultant.

For information concerning financial or other interest which certain of the above-mentioned professionals, advisors, counsel and agents may have in the offering of the Bonds, see "FINANCIAL INTERESTS" herein.

Continuing Disclosure

Each of the City and the Developers has agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, certain annual or semi-annual (as applicable) financial information and operating data. The City and the Developers have further agreed to provide notice of certain material events. The City and the Developers may elect to make these filings through the Central Post Office (as defined in Appendix D hereto). These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" herein, Appendix D and Appendix H hereto for a description of the specific nature of the annual or semi-annual reports to be filed by the City and the Developers and notices of material events to be provided by the City and the Developers.

Bond Owners' Risks

Certain events could affect the timely repayment of the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The purchase of the Bonds involves risks, and the Bonds are not suitable investments for some types of investors. See "SPECIAL RISK FACTORS" herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Fiscal Agent Agreement are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Fiscal Agent Agreement, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Fiscal Agent Agreement. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement, the City Continuing Disclosure Agreement, the Developer Continuing Disclosure Agreements and other documents and information referred to herein are available for inspection and (upon request and payment to the Fiscal Agent of a charge for copying, mailing and handling) for delivery from the Fiscal Agent.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected uses of Bond proceeds:

<u>Sources of Funds</u>	
Principal Amount of Bonds	\$
Net (Original Issue Discount)/Premium	_____
TOTAL SOURCES	\$ _____
 <u>Uses of Funds</u>	
Reserve Fund ⁽¹⁾	\$
Cost of Issuance Fund ⁽²⁾	
Capitalized Interest Account of Bond Fund ⁽³⁾	
Improvement Fund ⁽⁴⁾	
Administrative Expense Fund	
Underwriter's Discount	_____
TOTAL USES	\$ _____

⁽¹⁾ An amount equal to the initial Reserve Requirement.

⁽²⁾ Includes legal fees, fees to the Fiscal Agent, Financial Advisor fees, Special Tax Consultant fees, Appraisal and Market Absorption Study costs, printing costs and other issuance costs.

⁽³⁾ An amount sufficient to pay interest on the Bonds through and including September 1, 2007.

⁽⁴⁾ Includes deposits to the Acquisition Account (\$ _____) and Public Works Administration Account (\$ _____) therein.

THE BONDS

Description of the Bonds

The Bonds are being issued as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple thereof, and shall be dated the date of delivery thereof. The Bonds will be issued in book-entry only form and DTC will act as securities depository for the Bonds. So long as Bonds are in book-entry only form, all references in Official Statement to "Bondholders" or "Bond Owners" means DTC, as registered owner, and not the beneficial owners. So long as the Bonds are held in book-entry only form, principal of, premium, if any, and interest on the Bonds will be paid directly to DTC for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC. See APPENDIX F—"BOOK-ENTRY-ONLY SYSTEM" herein. The Bonds will mature on September 1 in the principal amounts and years, and bearing rates of interest, as shown on the inside cover of this Official Statement.

Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2007 (each, an "Interest Payment Date") and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date in which event it shall bear interest from the Closing Date; provided, that if at the time of authentication of a Bond, interest is then in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds is payable by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each Interest Payment Date, to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date

preceding the Interest Payment Date; provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Fiscal Agent prior to any Record Date, interest on such Bonds will be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the United States of America designated in such written request. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America by check of the Fiscal Agent upon surrender of such Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent will be canceled by the Fiscal Agent.

Redemption*

Optional Redemption. The Bonds maturing on or after September 1, 20__ are subject to redemption prior to their stated maturity at the option of the City on any Interest Payment Date occurring on or after September 1, 20__, as a whole or in part among maturities so as to maintain substantially the same debt service as in effect on the Closing Date and by lot within a maturity at redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
Interest Payment Dates from September 1, 20__ through March 1, 20__	%
September 1, 20__ and March 1, 20__	—
September 1, 20__ and March 1, 20__	—
September 1, 20__ and any Interest Payment Date thereafter	—

Mandatory Sinking Payment Redemption. The Bonds maturing on September 1, 20__ are subject to mandatory sinking payment redemption, in part, on September 1, 20__, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, from sinking payments as follows:

<i>Redemption Date (September 1)</i>	<i>Sinking Payment</i>
†	\$

† Maturity

The Bonds maturing on September 1, 20__ are subject to mandatory sinking payment redemption, in part, on September 1, 20__, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, from sinking payments as follows:

<i>Redemption Date (September 1)</i>	<i>Sinking Payment</i>
†	\$

The amount of Bonds to be redeemed pursuant to the foregoing schedules shall be reduced to the extent practicable so as to maintain substantially the same debt service profile for the Bonds as in effect on the

* Preliminary, subject to change.

Closing Date as a result of any prior partial optional redemption or redemption from Special Tax prepayments of the Bonds, as directed in writing by an Authorized Officer.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Fiscal Agent Agreement shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among maturities of the Bonds so as to maintain the same debt service profile for the Bonds as in effect on the Closing Date, as directed in writing by an Authorized Officer, and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) as set forth below, together with accrued interest to the date fixed for redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
Interest Payment Dates from September 1, 20__ through March 1, 20__	%
September 1, 20__ and March 1, 20__	—
September 1, 20__ and March 1, 20__	—
September 1, 20__ and any Interest Payment Date thereafter	—

Purchase of Bonds. In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at a public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, and any premium which would otherwise be due if the Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

Selection of Bonds for Redemption

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent shall select the Bonds of such maturity to be redeemed by lot, in any manner which the Fiscal Agent in its sole discretion shall deem appropriate and fair.

Notice of Redemption

So long as the Bonds are held in book-entry form, redemption notices will be sent only to Cede & Co. as the registered owner of the Bonds and not to the owner of any beneficial interest in the Bonds. See APPENDIX F—"BOOK-ENTRY-ONLY SYSTEM" herein.

The Fiscal Agent Agreement requires the Fiscal Agent to cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Original Purchasers, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent at its Principal Office; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed, by giving the individual CUSIP number and Bond number of each Bond to be redeemed, or will state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, will state as to any Bond called for redemption in part the portion of the principal of the Bond to be redeemed, will require that such

Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds or any given portion thereof, the Fiscal Agent will select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among maturities as directed in writing by the City Treasurer (who will specify Bonds to be redeemed so as to maintain, as much as practicable, the same debt service profile for the Bonds as in effect prior to such redemption, unless otherwise specified in the Fiscal Agent Agreement), and by lot within a maturity in any manner which the Fiscal Agent deems appropriate.

Upon surrender of Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds called for redemption have been deposited in the Bond Fund, such Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue on the Bonds to be redeemed on or after the redemption date specified in the notice of redemption.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to the Fiscal Agent Agreement will be canceled by the Fiscal Agent. The Fiscal Agent will destroy the cancelled Bonds and issue a certificate of destruction thereof to the City.

Transfer and Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Fiscal Agent Agreement, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Fiscal Agent, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the City. The Fiscal Agent will collect from the Owner requesting transfer of a Bond any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds of like aggregate principal amount.

No transfers of Bonds will be required to be made (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to Bonds which have been selected for redemption, or (iii) between a Record Date and the Succeeding Interest Payment Date.

Bonds may be exchanged at the Principal Office of the Fiscal Agent only for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity and interest rate. The cost for any services rendered or any expense incurred by the Fiscal Agent in connection with any such exchange will be

paid by the City. The Fiscal Agent will collect from the Owner requesting exchange of a Bond any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds will be required to be made (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to Bonds which have been selected for redemption, or (iii) between a Record Date and the Succeeding Interest Payment Date.

Debt Service Schedule for the Bonds

The following is the scheduled debt service for the Bonds assuming no redemptions other than mandatory sinking payment redemptions:

<i>Period Ending (September 1)</i>	<i>Bonds Principal</i>	<i>Bonds Interest</i>	<i>Total Debt Service</i>
	\$	\$	\$

Total

\$ _____

\$ _____

\$ _____

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the City for and on behalf of the District, payable only from amounts pledged under the Fiscal Agent Agreement and from no other sources.

The Special Tax Revenues are the primary security for the repayment of the Bonds. Under the Fiscal Agent Agreement, the City has pledged to repay the Bonds from the Special Tax Revenues and amounts held in the Bond Fund (including the Special Tax Prepayments Account and the Capitalized Interest Account therein), the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax

Fund. Special Tax Revenues are defined in the Fiscal Agent Agreement to include the proceeds of the Special Tax A received by the City, including any scheduled payments and prepayments thereof, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Tax A to the amount of said lien and interest thereon. Special Tax Revenues do not include any penalties collected in connection with delinquent Special Taxes.

In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in certain funds and accounts established under the Fiscal Agent Agreement, including amounts held in the Reserve Fund.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE LIMITED OBLIGATIONS OF THE CITY FOR THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

General. Pursuant to the Law, on February 20, 2007, following a public hearing conducted pursuant to the provisions of the Law, the City Council adopted a resolution calling a special election to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified electors of the District. Also, on February 20, 2007, at an election held pursuant to the Law, the landowners at the time who comprised the qualified electors of the District, authorized the District to incur bonded indebtedness in an aggregate principal amount not to exceed \$16,000,000 and to levy the Special Tax in the District as provided in the Rate and Method in the form set forth in Appendix A hereto. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Rate and Method of Apportionment of Special Taxes*” and APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

There is no assurance that the proceeds of the collection by the City of the Special Tax will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” herein.

The City has covenanted in the Fiscal Agent Agreement that by July 15 of each year (such that the levy is complete before the final date that the County Auditor will accept the transmission of the Special Tax amounts for inclusion on the next real property tax roll) it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in the amount required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund and the amount estimated to be sufficient to pay the Administrative Expenses during such calendar year, taking into account the balances in the Reserve Fund, the Administrative Expense Fund and the Special Tax Fund. The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

Rate and Method of Apportionment of Special Taxes. All capitalized terms used in this section shall have the meaning set forth in APPENDIX A.

The City is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to a methodology, i.e., the Rate and Method, which the City Council has approved. The Rate and Method apportions the total amount of Special Tax A and Special Tax B to be collected among the

taxable parcels in the District as more particularly described below. The Special Tax B is not available to pay debt service on the Bonds.

Under the Rate and Method, all Taxable Property in the District will be classified as Developed Property, Provisional Taxable Property or Undeveloped Property and will be subject to a Special Tax levy at the maximum rates described in Sections 3 and 4 of the Rate and Method.

A parcel will be classified as Developed Property if it is Taxable Property, other than Provisional Taxable Property, for which a building permit for new construction was issued after January 1, 2007 and prior to March 1 of the prior Fiscal Year. The Maximum Special Tax A for Developed Property, Undeveloped Property and Provisional Taxable Property will be \$13,530.50 per acre for Fiscal Year 2007-08. Special Tax B for Developed Property and Undeveloped Property will be \$1,516.50 per acre. Special Tax B funds certain services and is not available to pay debt service on the Bonds. On each July 1, commencing on July 1, 2008, the Maximum Special Tax A and Maximum Special Tax B Rates for Developed Property, Undeveloped Property and Provisional Taxable Property will increase by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

After classifying the parcels, the District Administrator will determine the Annual Special Tax Requirement for Facilities and levy Special Tax A until the amount of Special Tax A equals the annual Special Tax Requirement for Facilities for the Fiscal Year. "Annual Special Tax Requirement for Facilities" is defined in the Rate and Method as the amount required in any Fiscal Year to: (i) pay Debt Service; (ii) pay periodic costs on the Outstanding Bonds as required by the Indenture, including but not limited to, credit enhancement and rebate payments with respect to any Outstanding Bonds, (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities, provided that the inclusion of such amount does not cause the Special Tax A to be levied on Undeveloped Property or cause an increase in the Special Tax A to be levied on Undeveloped Property; (vi) pay for anticipated delinquent Special Tax A based on the delinquency rate for Special Tax A levy in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax Requirement for Facilities levy, as determined by the District Administrator consistent with any applicable provisions of the Indenture. The Special Tax A will be levied Proportionally first on Developed Property up to 100% of the Maximum Special Tax A for Developed Property. If additional monies are needed to satisfy the Annual Special Tax Requirement for Facilities after levying on all Developed Property the Maximum Special Tax A for Developed Property, the Special Tax A will be levied Proportionally next on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax A for Undeveloped Property. If additional monies are needed to satisfy the Annual Special Tax Requirement for Facilities, then the Special Tax A will be levied Proportionally on each Assessor's Parcel of Provisional Taxable Property at up to 100% of the Maximum Special Tax A on Provisional Taxable Property. See APPENDIX A—"RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES."

Prepayment of Special Taxes. The owner of a parcel may voluntarily prepay the Special Tax A obligation for a parcel in whole or in part at certain times as permitted by the Rate and Method. Any prepayment of Special Taxes will result in a redemption of Bonds. No Special Tax Prepayment shall be allowed unless the amount of Special Tax A may be levied on Taxable Property after the proposed prepayment is at least the sum of (i) the estimated Administrative Expenses, based on the average annual Administrative Expenses to date, and (ii) one hundred ten percent (110%) of the maximum annual Debt Service for the Bonds, taking into account the Bonds to remain outstanding after such prepayment.. See APPENDIX A—"RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES" and "THE BONDS—Redemption — *Redemption from Special Tax Prepayments.*"

Collection and Application of Special Taxes. Collection of the Annual Special Tax shall be undertaken by the County of Los Angeles (the "County") in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax so levied shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes. Notwithstanding the foregoing, the District

Administrator may provide for (i) other means of collecting the Annual Special Tax, including direct billings thereof to the property owners in which event Special Tax A so levied shall be due and delinquent as provided in any such billing; and (ii) judicial foreclosure of any delinquent Special Tax A.

The City has made a covenant in the Fiscal Agent Agreement for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the City's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. Specifically, the City has covenanted not to consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount for any Fiscal Year, equal to 110% of the aggregate of the debt service on the Bonds in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year. See "SPECIAL RISK FACTORS—Proposition 218."

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See "SPECIAL RISK FACTORS—Parity Taxes, Special Assessments and Land Development Costs" herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

Under the terms of the Fiscal Agent Agreement, Special Tax Revenues received by the City are to be promptly deposited in the Special Tax Fund. Notwithstanding the foregoing, (i) any proceeds of any Special Tax B (as defined in the Rate and Method of Apportionment of Special Taxes) shall be retained by the City and pay the costs and services eligible to be funded by the District; (ii) any proceeds to Special Tax Prepayments shall be transferred by the City to the Fiscal Agent for deposit by the Fiscal Agent (as specified in writing by an Authorized Officer to the Fiscal Agent) in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement; and (iii) any Special Tax Revenues constituting payment of the portion of the Special Tax levy for Administrative Expenses shall be deposited by the City in the Administrative Expense Fund.

Moneys in the Special Tax Fund shall be held in trust by the City for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

On each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Reserve Fund, Capitalized Interest Account and Special Tax Prepayment Account, pursuant to the Fiscal Agent Agreement to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payments), premium, if any, and interest due on the Bonds on such Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund equals the Reserve Requirement.

Proceeds of Foreclosure Sales. The net proceeds received following a judicial foreclosure sale of land within the District resulting from a landowner's failure to pay the Special Tax when due, exclusive of any penalties paid with respect to a delinquency and interest in excess of the interest due on the Bonds, are pledged to the payment of principal of and interest on the Bonds.

Pursuant to the Law, the City has agreed that, on or about February 15 and June 15 of each Fiscal Year, the Treasurer will compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City and:

(A) Individual Delinquencies. If the Treasurer determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$5,000 or more, then the Treasurer shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination and shall be diligently pursued by the City to completion.

(B) Aggregate Delinquencies. If the Treasurer determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Treasurer shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and the City shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

See APPENDIX C—“SUMMARY OF THE FISCAL AGENT AGREEMENT—Covenants to Foreclose” herein.

If foreclosure is necessary and other funds pledged to the payment of the Bonds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City. See “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure” herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See “SPECIAL RISK FACTORS—Land Values” herein. Although the Law authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Law does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Law provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Reserve Fund

In order to secure further the payment of principal of and interest on the Bonds, the City is required, upon delivery of the Bonds, to deposit and maintain in the Reserve Fund an amount equal to the Reserve Requirement. As defined in the Fiscal Agent Agreement, the Reserve Requirement means, as of any date of calculation, an amount equal to the lesser of (i) the then Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service, or (iii) ten percent (10%) of the then outstanding principal amount of the Bonds. The initial Reserve Requirement is \$_____. The Reserve Fund will initially be funded from proceeds of the Bonds. See APPENDIX C—“SUMMARY OF THE FISCAL AGENT AGREEMENT.”

Subject to the limits on the maximum annual Special Tax which may be levied within the District, as described in Appendix A, the City has covenanted to levy Special Taxes in an amount that is anticipated to be sufficient to replenish the balance in the Reserve Fund each year to the Reserve Requirement. Amounts in the Reserve Fund are to be applied to (i) pay debt service on the Bonds, to the extent other monies are not available therefor, (ii) redeem the Bonds in whole or in part, (iii) pay the principal and interest due in the final year of maturity of the Bonds, and (iv) to pay any rebate due to the federal government. See APPENDIX C—“SUMMARY OF THE FISCAL AGENT AGREEMENT” herein.

Issuance of Parity Bonds

Pursuant to the Fiscal Agent Agreement, the City may issue additional bonds secured by a pledge of and lien upon the Special Tax Revenues on a parity with Bonds only to refund outstanding indebtedness of the District and only if certain conditions are satisfied. As a result, no additional bonds will be issued to finance improvements. See APPENDIX C—“SUMMARY OF THE FISCAL AGENT AGREEMENT” herein.

THE COMMUNITY FACILITIES DISTRICT

Location

The District consists of approximately 81 total acres of land located in the central portion of the City next to the Long Beach Airport, northerly of Interstate 405, between Interstate 605 to the east and Interstate 710 to the west. Approximately 68.25 acres of property within the District are proposed to be developed with light industrial and office structures. For more information concerning the property ownership and proposed developments within the District, see Table 4 below, “PROPERTY OWNERSHIP AND THE DEVELOPMENTS” and “SPECIAL RISK FACTORS—Failure to Develop Properties” and “—Future Land Use Regulations and Growth Control Initiatives.”

Description of Authorized Facilities

The Facilities authorized to be constructed and acquired by the District with the proceeds of the Bonds, consist of certain public facilities including:

- Sanitary Sewer System Improvements — the construction of sewer facilities and related appurtenances, including, but not limited to, gravity pipelines and manholes, to serve the area within and in the vicinity of the District or as otherwise required in connection with the City’s conditions of approval for development occurring within or in the vicinity of the District.
- Water System and Reclaimed Water System Improvements — the construction of water facilities and related improvements, including, but not limited to, pipelines, connections to existing mains in Carson Street and Lakewood Boulevard, valves, blow-offs and fire hydrants, to serve the area within and in the vicinity of the District or as otherwise required in connection with the City’s conditions of approval for development occurring within or in the vicinity of the District.
- Roadway Improvements — the construction of streets, including related or adjacent medians, curbs, gutters, sidewalks and alleyways, street and traffic signs and signals, bike trails and wheel chair ramps, to serve the area within and in the vicinity of the District or as otherwise required in connection with the City’s conditions of approval for development occurring within or in the vicinity of the District.
- Traffic Signalization Improvements — including the installation of traffic signals and related improvements at intersections within and in the vicinity of the District or as otherwise required in connection with the City’s conditions of approval for development occurring within or in the vicinity of the District.
- Dry Utilities — the construction of various dry utility facilities (electric, gas, telephone, cable, etc.) and joint trenches for such facilities, within and in the vicinity of the District.
- Street Lights — the installation of street lights and appurtenances within and in the vicinity of the District, or as otherwise required in connection with the City’s conditions of approval for development occurring within or in the vicinity of the District.
- Landscaping and Irrigation Improvements — landscaping improvements for parkways, street medians and adjacent areas, and for parks and bicycle paths within and in the vicinity of the District, or as

otherwise required in connection with the City's conditions of approval for development occurring within or in the vicinity of the District.

- Certain transportation system improvements described in Exhibit F to the Douglas Park Development Agreement, with the exception of certain neighborhood traffic management measures, between the City and McDonnell Douglas, recorded on June 2, 2005 as document number 05-1290603 in the Los Angeles County Recorder's Office.

The expected total cost of the Facilities eligible to be financed with the proceeds of the Bonds is approximately \$46,521,129, of which approximately \$12,400,000 is expected to be funded from Bond proceeds. To the extent the costs of the Facilities exceed the amount of Bond proceeds, Boeing Realty Corporation will be responsible for such Facilities costs and expects to fund any such costs from its internal funds or funds provided to it by Boeing. It is possible that a portion of the costs of the Facilities will be financed by a further bond issue in Improvement Area B of the Community Facilities District No. 2007-1 of the City of Long Beach, which is authorized to issue up to \$13,500,000 of bonds. The Bond proceeds available to finance the Facilities will be disbursed to Boeing Realty Corporation pursuant to the terms of an Acquisition Agreement with the City. Under the Acquisition Agreement, the cost of the Facilities to be financed may include the cost of design, engineering and planning, the costs of any environmental or other studies, surveys or reports, the cost of any required environmental mitigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

Status of Construction and Budget for Authorized Facilities

As of April 24, 2007, design, permit and construction of the Facilities was underway. Boeing Realty Corporation anticipates that construction of the Facilities will be completed by December 2008. Construction of the project's backbone storm drain, water and sewer systems began in December 2005 and such construction is currently substantially complete throughout the District. Grading and construction of roadways, traffic signals and dry utility improvements in the District have been underway since November 2006. Boeing Realty Corporation expects such improvements will be completed by December 2007. Street lights and on-site landscaping installation began recently and Boeing Realty Corporation anticipates that these improvements will also be completed by December 2007.

The District has certain off-site requirements, including the relocation of certain overhead high-voltage electrical lines, construction of which was completed in April 2007, and the relocation of the main water line, the construction of a new bike path, and the installation of new landscape medians along Lakewood Boulevard, all of which are scheduled to be completed by December 2007.

Design of the transportation improvements and phasing program described in Exhibit F to the Development Agreement is currently underway. Boeing Realty Corporation expects and construction of these improvements to commence in 2008. Boeing Realty Corporation expects the construction of certain cover street roadway facilities between Heinemann Avenue and Paramount Boulevard and the construction of the Donald Douglas Plaza (Park A) located at Lakewood Boulevard and Carson Street to commence in 2008 and be completed by December 2008.

The current estimated cost of the Facilities eligible to be financed with proceeds of the Bonds and the estimated amount spent by Boeing Realty Corporation towards such Facilities as of April 24, 2007, is set forth in Table 1 below.

TABLE 1
 CITY OF LONG BEACH
 COMMUNITY FACILITIES DISTRICT NO. 2007-1
 (DOUGLAS PARK - COMMERCIAL AREA)
 FACILITIES ELIGIBLE TO BE FINANCED
 WITH BOND PROCEEDS

<i>Facility Description</i>	<i>Estimated Amount</i>	<i>Estimated Amount Spent as of April 24, 2007</i>
Sewer Improvements	\$ 1,802,050	\$ 871,120
Water Improvements	2,501,941	768,442
Reclaimed Water Improvements	1,259,787	371,427
Roadway Improvements	7,050,396	2,788,314
Signalization	773,130	209,778
Dry Utility Improvements	2,419,224	2,227,006
Street Lights	772,009	167,503
Landscaping Improvements	4,987,311	828,408
Development Agreement Exhibit "F"	24,955,281	100,338
Total	<u>\$ 46,521,129</u>	<u>\$ 8,332,336</u>

Source: District and Boeing Realty Corporation

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments securing the repayment of overlapping debt in the District are set forth in Table 2 (the "Debt Report"). The Debt Report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or special taxes. See Table 3 for all entities levying taxes, assessments or other charges on property in the District. The Debt Report includes the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the District by National Tax Data as of April 24, 2007. Neither the District, the City nor the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

TABLE 2
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)
DIRECT AND OVERLAPPING DEBT

I. Assessed Value

2006-07 Secured Roll Assessed Value⁽²⁾ \$30,859,219

II. Secured Property Taxes

Description on Tax Bill	Type	Total Parcels	Total Levy	% Applicable	Parcels	Levy
Combined Ad Valorem Tax Charges	AVALL	2,302,016	\$ 9,862,672.568.67	0.00884%	3	\$ 872,055.69
County of Los Angeles Flood Control	1992BA	2,089,743	109,517,095.22	0.00044	3	484.18
County of Los Angeles Mosquito Abatement District	VECTOR	1,089,295	6,224,935.63	0.00009	1	5.58
County of Los Angeles Regional Park & Open Space District	1915	2,279,568	78,397,010.37	0.00013	2	105.12
County of Los Angeles Trauma and Emergency Services	PARAMED	2,113,155	184,099,399.35	0.00487	1	8,974.32
County Sanitation District No. 3	SWR/WTR	108,500	18,138,721.86	0.00210	1	380.10
District No. 13 Standby Charge	STANDBY	321,137	3,551,944.06	0.00029	1	10.44
District No. 8 Standby Charge	STANDBY	88,072	1,096,633.94	0.26151	2	<u>2,867.78</u>
2006-07 TOTAL PROPERTY TAX LIABILITY						\$ 884,883.21
TOTAL PROPERTY TAX LIABILITY AS A PERCENTAGE OF 2006-07 ASSESSED VALUATION						2.87%

III. Land Secured Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issue	Outstanding	% Applicable	Parcels	Amount
City of Long Beach CFD No. 2007-1	CFD	\$ 0	\$ 0	100.00000%	3	\$ 0.00
County of Los Angeles Regional Park & Open Space District	1915	510,185,000	356,645,000	0.00013	2	<u>464.00</u>
TOTAL LAND SECURED BOND INDEBTEDNESS⁽¹⁾						\$ 464.00
TOTAL OUTSTANDING LAND SECURED BOND INDEBTEDNESS⁽¹⁾						\$ 464.00

Authorized Direct and Overlapping Bonded Debt	Type	Authorized	Unissued	% Applicable	Parcels	Amount
City of Long Beach CFD No. 2007-1	CFD	\$ 16,000,000	\$ 16,000,000	100.00000%	3	\$ 0.00
County of Los Angeles Regional Park & Open Space District	1915	510,185,000	0	0.00013	2	<u>0.00</u>
TOTAL UNISSUED LAND SECURED BOND INDEBTEDNESS⁽¹⁾						\$ 0.00
TOTAL OUTSTANDING AND UNISSUED LAND SECURED BOND INDEBTEDNESS⁽¹⁾						\$ 0.00

IV. General Obligation Bond Indebtedness

Outstanding Direct and Overlapping Bonded Debt	Type	Issue	Outstanding	% Applicable	Parcels	Amount
County of Los Angeles Detention Facilities Debt Service 1987	GOB	\$ 96,000,000	\$ 8,395,000	0.00415%	3	\$ 348.00
Long Beach Unified School District Debt Service 1999	GOB	265,000,000	247,115,000	0.08085	3	199,781.00
Long Beach Community College District Debt Service 2002	GOB	105,000,000	122,739,898	0.08083	3	99,214.00
Metropolitan Water District of Southern California Debt Service	GOB	850,000,000	389,600,000	0.00168	3	<u>6,536.00</u>
TOTAL GENERAL OBLIGATION BOND INDEBTEDNESS⁽¹⁾						\$ 305,879.00
TOTAL OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS⁽¹⁾						\$ 305,879.00

Authorized Direct and Overlapping Bonded Debt	Type	Authorized	Unissued	% Applicable	Parcels	Amount
County of Los Angeles Detention Facilities Debt Service 1987	GOB	\$ 96,000,000	\$ 0	0.00415%	3	\$ 0.00
Long Beach Unified School District Debt Service 1999	GOB	295,000,000	30,000,000	0.08085	3	24,254.00
Long Beach Community College District Debt Service 2002	GOB	176,000,000	71,000,000	0.08083	3	57,391.00
Metropolitan Water District of Southern California Debt Service	GOB	850,000,000	0	0.00168	3	<u>0.00</u>
TOTAL UNISSUED GENERAL OBLIGATION BOND INDEBTEDNESS⁽¹⁾						\$ 81,645.00
TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION BOND INDEBTEDNESS⁽¹⁾						\$ 387,524.00

TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT	\$ 306,343.00
VALUE TO ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT	100.73:1
TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING BONDED DEBT	\$ 387,987.00
VALUE TO ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING BONDED DEBT	79.54:1

Source: National Tax Data.

(1) Additional bonded indebtedness or available bond authorization may exist but are not shown because a tax was not levied for the referenced fiscal year.

(2) Includes only land value of the portion of APN 7149-001-013 that is in the District.

Expected Tax Burden

The expected tax burden of the Special Taxes and other taxes and assessments on individual parcels located within the District will vary among parcels. Tables 3A and 3B below set forth the estimated Fiscal Year 2007-08 total effective tax rates for the proposed office and light industrial development, respectively, based upon projected Fiscal Year 2007-08 tax rates and an estimated sales price for a commercial building and an industrial building, respectively. Tables 3A and 3B set forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt.

**TABLE 3A
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)
ESTIMATED FISCAL YEAR 2007-08 TAX RATES
FOR OFFICE LAND USE**

<i>Estimated Assessed Valuation and Property Taxes</i>	<i>Percent of Total AV</i>	<i>Expected Amount</i>	<i>Maximum Amount</i>
Land Use			Office
Estimated Value ⁽¹⁾			\$6,860,700.00
Estimated Taxes Per Unit ⁽²⁾			
Ad valorem	1.00000%		\$ 68,607.00
County Charge	0.00066%		45.49
Metropolitan Water District	0.00470%		322.45
Long Beach Unified School District	0.03811%		2,614.82
Long Beach Community College District	0.01153%		790.83
L.A. County Flood Control	0.00005%		3.57
MWD Water Standby Charge (per Parcel/Acre)	\$12.16		12.16
Greater LA Mosquito Charge (per Parcel/Acre)	3.69		3.69
L.A. County Trauma (per Sq.Ft.)	0.03		548.86
L.A. County Flood Control (Varies)	Estimate		411.51
L.A. County Park District (Varies)	Estimate		161.23
Sanitation District No. 3 (Varies by type and Sq.Ft.)	Estimate		<u>1,440.75</u>
Total Estimated Taxes per Acre			\$ 74,962.35
CFD No. 2007-1 Tax for Bonds			\$ 13,530.50
CFD No. 2007-1 Tax for Maintenance			<u>1,516.50</u>
Total CFD No. 2007-1 Tax			\$ 15,047.00
Projected Estimated Taxes per Acre and CFD No. 2007-1 Tax			\$ 90,009.35
Projected Tax Rate with CFD No. 2007-1			1.31%

Source: Koppel & Gruber Public Finance.

⁽¹⁾ Value provided by Boeing Realty Corporation and CBRE based on 1 acre of developed office land, \$375.00 per square foot with an FAR of 0.42.

⁽²⁾ Based on fiscal year 2006-07 tax rates for all entities other than the District. Fiscal year 2007-08 rates for the District.

**TABLE 3B
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)
ESTIMATED FISCAL YEAR 2007-08 TAX RATES
FOR INDUSTRIAL LAND USE**

<i>Estimated Assessed Valuation and Property Taxes</i>	<i>Percent of Total AV</i>	<i>Expected Amount</i>	<i>Maximum Amount</i>
Land Use			Industrial
Estimated Value ⁽¹⁾			\$3,641,616.00
Estimated Taxes Per Unit ⁽²⁾			
Ad valorem	1.00000%		\$ 36,416.16
County Charge	0.00066%		24.14
Metropolitan Water District	0.00470%		171.16
Long Beach Unified School District	0.03811%		1,387.93
Long Beach Community College District	0.01153%		419.77
L.A. County Flood Control	0.00005%		1.89
MWD Water Standby Charge (per Parcel/Acre)	\$12.16		12.16
Greater LA Mosquito Charge (per Parcel/Acre)	3.69		3.69
L.A. County Trauma (per Sq.Ft.)	0.03		574.99
L.A. County Flood Control (Varies)	Estimate		411.51
L.A. County Park District (Varies)	Estimate		167.30
Sanitation District No. 3 (Varies by type and Sq.Ft.)	Estimate		<u>2,354.59</u>
Total Estimated Taxes per Acre			\$ 41,945.30
CFD No. 2007-1 Tax for Bonds			\$ 13,530.50
CFD No. 2007-1 Tax of Maintenance			<u>1,516.50</u>
Total CFD No. 2007-1 Tax			\$ 15,047.00
Projected Estimated Taxes per Acre and CFD No. 2007-1 Tax			\$ 56,992.30
Projected Tax Rate with CFD No. 2007-1			1.57%

Source: Koppel & Gruber Public Finance.

⁽¹⁾ Value provided by Boeing Realty Corporation and CBRE based on 1 acre of developed industrial land, \$190.00 per square foot with an FAR of 0.44.

⁽²⁾ Based on fiscal year 2006-07 tax rates for all entities other than the District. Fiscal year 2007-08 rates for the District.

Estimated Value-to-Lien Ratios

The value of the land within the District is significant because in the event of a delinquency in the payment of Special Taxes, the District may foreclose only against delinquent parcels in the District. Table 4 summarizes the estimated appraised value-to-lien ratios for property in the District based on the principal amount of the Bonds and overlapping debt payable from taxes and assessments on land within the District. The appraised value of the land within the District based on the assumptions and limiting conditions contained in the Appraisal is \$88,370,000. The estimated appraised value-to-lien ratio for the property within the District currently subject to the levy of the Special Taxes, based upon land values and property ownership described in the Appraisal and the principal amount of the Bonds (\$16,000,000*) plus the overlapping debt described in Table 2 above, is approximately 5.42*-to-1. Table 4 includes the overlapping debt which is payable from taxes and assessments on land within the District, which, as set forth in Table 2 above, is currently estimated at approximately \$306,343.

The estimated assessed value of the land within the District for Fiscal Year 2006-07 is \$30,859,219. The land within the District is part of a larger assessor's parcel, so, in arriving at an estimate of the assessed valuation, the assessed land value of the parcel was allocated equally by acreage to the property within the

District and outside of the District. The estimated assessed value-to-lien ratio for the property within the District currently subject to the levy of the Special Taxes, based upon the Fiscal Year 2006-07 assessed value within the District and the principal amount of the Bonds plus the overlapping debt described in Table 2 above, is approximately 1.94*-to-1. Table 4 will be updated annually by the District in the Annual Report filed pursuant to the City Continuing Disclosure Agreement based only on the assessed value of the taxable property within the District.

**TABLE 4
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1 (DOUGLAS PARK - COMMERCIAL AREA)
ESTIMATED APPRAISED VALUE-TO-LIEN RATIOS**

<i>Owner</i>	<i>Number of Acres</i>	<i>Maximum FY 2007-08 Special Tax⁽¹⁾</i>	<i>City of Long Beach District No. 2007-1 Outstanding Bond Amount</i>	<i>Percentage of Total Special Tax</i>	<i>Total Direct and Overlapping Debt⁽²⁾</i>	<i>Total Direct and Outstanding Debt Plus the Bonds</i>	<i>Appraised Value⁽³⁾</i>	<i>Estimated Appraised Value-To-Lien Ratio</i>
McDonnell Douglas	45.87	\$690,206	\$10,753,407	67%	\$207,788	\$ 10,961,194	\$ 59,940,000	5.47:1
Douglas Park LLC	22.38	336,752	5,246,593	33	98,555	5,345,149	28,430,000	5.32:1
Total	<u>68.25</u>	<u>\$1,026,958</u>	<u>16,000,000</u>	<u>100%</u>	<u>\$306,343</u>	<u>\$ 16,306,343</u>	<u>\$ 88,370,000</u>	<u>5.42:1</u>

⁽¹⁾ Includes Maximum Special Tax A in the amount of \$13,530.50 per acre for fiscal year 2007-08 and Maximum Special Tax B for services in the amount of \$1,516.50 per acre for fiscal year 2007-08.

⁽²⁾ See Table 2 above. Debt allocated base on percentage of appraised value from Appraisal dated April 27, 2007.

⁽³⁾ Based on Appraisal dated April 27, 2007.

Source: Koppel & Gruber Public Finance.

Property Values

Appraisal. In order to provide information with respect to the current market value of the land within the District, the City engaged the Appraiser to prepare the Appraisal. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City, the District or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal and other similar engagements for the City. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings, published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal is included as Appendix G to this Official Statement.

The purpose of the Appraisal was to estimate the “as is” market value of the fee simple estate, subject to special tax and special assessment liens, of the property within the District. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal, the Appraiser concluded that, as of April 24, 2007, the market value of the property within the District was \$88,370,000. Reference is made to Appendix G for a complete list and full discussion of the applicable contingencies, assumptions and limiting conditions and the methodology employed by the Appraiser. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within the District may be less than the amount reported in the Appraisal. In any case, there can be no assurance that any portion of the property within the District would actually sell for the amount indicated by the Appraisal. The City, the District and the Underwriter make no representation as to the accuracy of the Appraisal. See APPENDIX G—“APPRAISAL REPORT.”

* Preliminary, subject to change.

Market Absorption

Market Absorption Study. In order to provide information with respect to the potential market demand for the proposed development within the District, the District retained Empire Economics, Inc. to conduct an absorption analysis and to prepare a report regarding the projected absorption of the property within the District. The Market Absorption Consultant prepared a report dated March 7, 2007. The Market Absorption Study is attached to this Official Statement as Appendix I. The Market Absorption Study assumes that the District will be developed with light industrial and office structures. Based on the assumptions and subject to the limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant has concluded that the estimated absorption for the light industrial and office structures within the District will be as follows in the five parcels located within the District:

(a) Parcel 1 is approximately 12.5 acres and is expected to be developed with an estimated 244,100 square feet of building space for light industrial uses. Parcel 1 is expected to be absorbed at a rate of 4.0 acres in 2008, 5.0 acres in 2009 and 3.5 acres in 2010.

(b) Parcel 2 is approximately 9.8 acres and is expected to be developed with an estimated 170,200 square feet of building space for office uses. Parcel 2 is expected to be absorbed at a rate of 4.0 acres in 2009, 5.0 acres in 2010 and 0.8 acres in 2011.

(c) Parcel 3 is approximately 11.0 acres and is expected to be developed with an estimated 177,160 square feet of building space for office uses. Parcel 3 is expected to be absorbed at a rate of 2.6 acres in 2011, 3.5 acres in 2012, 4.0 acres in 2013 and 0.9 acres in 2014.

(d) Parcel 4 is approximately 20.0 acres and is expected to be developed with an estimated 299,800 square feet of building space for office uses. Parcel 4 is expected to be absorbed at a rate of 2.6 acres in 2011, 3.5 acres in 2012, 4.0 acres in 2013, 7.1 acres in 2014 and 2.8 acres in 2015.

(e) Parcel 5 is approximately 14.3 acres and is expected to be developed with an estimated 237,000 square feet of building space for light industrial uses. Parcel 5 is expected to be absorbed at a rate of 2.5 acres in 2010, 7.0 acres in 2011 and 4.8 acres in 2012.

The conclusions set forth in the Market Absorption Study are based upon various expected economic and real estate factors including growth prospects for the Southern California market region in general, and the City and District markets in particular, and competition in the market price. If any of these and other factors are not achieved, the rates of absorption set forth in the Market Absorption Study could be adversely affected. The City, the District and the Underwriter make no representation as to the accuracy of the Market Absorption Study. See APPENDIX I—"MARKET ABSORPTION STUDY," for a summary of the specific assumptions and methodology employed by the Market Absorption Consultant and a more detailed discussion of its conclusions.

PROPERTY OWNERSHIP AND THE DEVELOPMENTS

The following information about the property owners and their proposed developments in the District have been provided by the Developers. No assurance can be given that the proposed developments will occur as described herein or that they will be completed in a timely manner in the timeframe estimated herein, if at all, or that the Developers will continue to own the property. Neither the Bonds nor the Special Taxes securing the Bonds are personal obligations of the Developers or any affiliate thereof and, in the event that either defaults in the payment of its Special Taxes, the City may proceed with judicial foreclosure but has no direct recourse to the assets of such Developers or any affiliate thereof. See "SPECIAL RISK FACTORS" herein.

McDonnell Douglas Corporation and Boeing Realty Corporation

The owner of the majority of the property in the District is McDonnell Douglas. The Boeing Realty Corporation is developing the site on behalf of McDonnell Douglas. Boeing Realty Corporation is responsible for the disposition and development of property owned by McDonnell Douglas within the District and will oversee the installation of the Facilities, including all onsite and offsite improvements needed to develop such land within the District.

Each of McDonnell Douglas and Boeing Realty Corporation are wholly-owned subsidiaries of Boeing. Boeing Realty Corporation was established in 1972 by its former parent to professionally manage corporate real estate needs. Boeing Realty Corporation is responsible for all aspects of real estate strategies, acquisition and dispositions, developments and leasing surplus properties worldwide for Boeing. Boeing Realty Corporation is headquartered in Long Beach, California and has offices in St. Louis, Missouri, Bellevue and Washington.

Boeing Realty Corporation has developed more than 7,000,000 square feet of commercial space, brought more than 1,000 acres of mixed-use development to the market and completed over fifty major development projects throughout the United States, including a golf course, retirement communities, high-rise office buildings, industrial facilities, and master-planned business parks. Boeing Realty Corporation's current projects include 1,000 acres of land in various stages of development, with a projected market value when fully built-out of \$1.5 billion.

McDonnell Douglas initially owned all of the property within the District and owns approximately 180 adjacent acres, and has obtained the current land use entitlements for the District and the adjacent acreage. McDonnell Douglas is responsible for installing the public infrastructure required to support development within the District.

Boeing is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings may be accessed over the Internet at the SEC's website at www.sec.gov.

Development Plan. The development of property within the District and the approximately 180 adjacent acres being developed by McDonnell Douglas (the "Douglas Park Project") is governed by a Development Agreement, dated as of December 21, 2004 (the "Development Agreement") by and between the City and McDonnell Douglas. Pursuant to the Development Agreement, development within the Douglas Park Project will consist of the following major components: (a) a maximum of 1,400 residential dwelling units, of which at least 120 will be marked and operated as for-sale "age-restricted" housing and no more than 250 units will be marked and operated as "for-rent multifamily units;" (b) a maximum of 3,300,000 square feet for commercial uses, including a maximum of 200,000 square feet devoted to retail uses; (c) a maximum of 400 hotel guest rooms; (d) public and private improvements and (e) 13 acres of park and recreational open space. As part of the entitlement process, an environmental impact report and a Phase I Environmental Site Assessment were prepared.

Under the terms of the Development Agreement, McDonnell Douglas may develop the property within the District in accordance with, and to the extent of, the parameters set forth in the Development Agreement. Under the Development Agreement, the City has agreed that the permitted uses of the property within the District, the density of use of the property and the height and design of the proposed developments are permitted under the existing land use regulations which were in existence at the time the Development Agreement was adopted.

The Douglas Park Project is expected to be developed by Boeing Realty Corporation, Douglas Park LLC and subsequent purchasers in accordance with the land use entitlements contained in the Development Agreement. Boeing Realty Corporation expects to market the land within the District and the adjacent acreage

comprising the Douglas Park Project to other entities and does not currently expect that it will undertake the construction of any of the commercial, retail, hotel or residential improvements. The land within the District is expected to contain a minimum of approximately 481,000 square feet of light industrial uses and 647,000 square feet of office space. Additional development and densities may take place depending on the type of uses to be developed over time in the District. As noted in the Appraisal, there are certain height and setback limitations on the development permitted in the District as a result of the proximity of the District to the Long Beach Municipal Airport.

Environmental Condition of the District. The property within the District was a part of the former Douglas Aircraft C-1 Facility (the "Former C-1 Facility"), which was an approximate 343-acre aircraft manufacturing plant initially developed from agricultural land in the early 1940s. During the approximately 60 years of operation, the Former C-1 Facility was used for the manufacture, testing, maintenance, and repair of military and commercial aircraft. Aircraft manufacturing involved use of a range of materials and industrial process chemicals for the various operations. Releases of chemical compounds used during operations have impacted soil and groundwater in localized areas. As a result of these soil and groundwater conditions, future land uses for all property in the District will be limited to commercial and industrial uses.

History and Background Information. A site-wide Phase I Environmental site Assessment ("Phase I ESA") was completed in February 2000 for the Former C-1 Facility which included all property in the District. The Phase I ESA was performed to characterize site conditions; document historical operations; compile, summarize, and present the results of previous soil and groundwater assessment and remediation activities conducted at the site; and identify, characterize, and categorize known and potential chemical use, handling, and storage areas, and known and potential chemical release areas to target for further assessment as part of subsequent Phase II assessments.

Results of the Phase I ESA were used in conjunction with iterative results of Phase II soil assessment activities to identify a number of environmental targets ("ETs") in and adjacent to the District for subsequent Phase II soil investigations, and to provide the basis for implementing additional groundwater assessments. Specific ETs identified in and immediately adjacent to the District included manufacturing/fabrication areas; aboveground tanks; paint booths; sumps; clarifiers; a nickel plating line; a titanium plating and etching line; a chromium stripping area; an aluminum etching line; a titanium pickle passivation area; a phosphoric acid anodizer; a hydrostatic test pit; milling machines; floor drains; paint operations areas; laboratories including photodevelopment labs and a mechanical properties lab; fuel lines; boiler rooms; generators; transformers; a battery storage area; cooling systems; air filtration systems; fueling/defueling positions; hydraulic reservoirs; utility trenches; hazardous waste satellite accumulation areas; asphalt staining; tank farms; underground storage tanks; a former fuel filter pit; vaults; floor patches and other surface features; a printing/reproduction area; a dark room area; a maintenance area; unidentified surface features; machine rivet areas, and interior and exterior industrial and non-industrial open areas. Specific chemical use, handling, and/or storage histories in and immediately adjacent to the District included fuels and other petroleum hydrocarbons including oils, lubricants, hydraulic oils, and transformer oils, including oils containing polychlorinated biphenyls (PCBs); solvents, including solvents containing volatile organic compounds (VOCs); acids; bases; metals, including hexavalent chromium, lead, and metals in solution; freons; paints; paint thinners; glycols; resins; photographic chemicals; and inks.

Regulatory Oversight. Boeing on behalf of McDonnell Douglas is conducting site assessment and remediation cooperatively under the direction of the California Regional Water Quality Control Board, Los Angeles Region ("RWQCB-LA") in accordance with a Cleanup and Abatement Order issued in 1995 and updated in 2000. Other governmental regulatory agencies involved in various aspects of the development project include the South Coast Air Quality Management District, the County of Los Angeles, the cities of Long Beach and Lakewood; and the California Environmental Protection Agency (Cal/EPA) Office of Environmental Health and Hazard Assessment ("OEHHA") which provides oversight for risk assessment issues, including review and approval of human health risk assessment ("HHRA") procedures to establish

cleanup goals that are protective of human health and the environment and are the basis for the planned development.

As of May 29, 2007, Boeing on behalf of McDonnell Douglas, has completed all soil characterization and shallow soil remediation for all property in the District. As of that date, Boeing had obtained Shallow Soil No Further Action (“NFA”) Letters from RWQCB-LA for all property in the District except for portions of Parcels 3 and 4 of proposed Final Map 61252-2, which are located in Block 5 currently owned by McDonnell Douglas. An additional request for shallow soil NFA will be submitted to RWQCB-LA for Parcels 3 and 4 of proposed Final Map 61252-2 in June 2007, and is expected to be received from RWQCB-LA by September 2007. Parcels 3 and 4 comprise approximately 7.5 acres of the 68.25 acres in the District.

Boeing has implemented groundwater remediation and is monitoring the remaining groundwater impacts observed at certain locations in the District. The RWQCB-LA has approved a contingency groundwater remediation plan should future groundwater remediation be required by the RWQCB-LA in the District, and to that effect, Boeing will maintain easements and access agreements in the District to support contingency remediation to the extent it is later required.

Other than as disclosed in this Official Statement, Boeing, McDonnell Douglas, Boeing Realty and Douglas Park, LLC are not aware of any hazardous substance which may materially impede the development of the property located in the District or the possible significant liability of the owner (or operator) for the remedy of a hazardous substance condition of the property.

Environmental Impact Report Requirements. The Final Environmental Impact Report (“EIR”) for the property, certified by the City of Long Beach in December 2004, identified the presence of certain potential hazards and, as a condition precedent to obtaining permits to construct new buildings as part of the Project, the Developers are required to receive verification from the RWQCB-LA of the completion of certain required components of remediation work in the District. Receipt of the shallow soil NFA’s satisfy the EIR requirement, as confirmed by the City.

Status of Development. The District is being developed as five blocks of property. Boeing Realty Corporation obtained approval from the City for the vesting tentative tract map for the land within the District in December 2004 and recorded the first commercial final map in December 2006 for Blocks 1 and 2. Boeing Realty Corporation expects to record a second commercial final map in July 2007 for Blocks 3, 4 and 5.

In 2005, Boeing Realty Corporation commenced construction of the infrastructure necessary to bring the parcels within the District to a finished lot condition. Boeing Realty Corporation expects to complete such construction by December 31, 2008. As of April 24, 2007, no building permits had been issued for property within the District.

In October 2006, McDonnell Douglas contracted to sell Block 1 and Block 2 to RREEF America LLC, a Delaware limited liability company (“RREEF America”), which rights were assigned by RREEF America to Douglas Park LLC in December 2006. Douglas Park LLC purchased Block 1 and Block 2 from McDonnell Douglas on December 21, 2006. See “Douglas Park 1-2, LLC” below. As of May 1, 2007, McDonnell Douglas owns Block 3, Block 4 and Block 5. McDonnell Douglas has no set dates for sale of the blocks that it currently owns, but it is actively marketing the property through its broker, CB Richard Ellis. Neither McDonnell Douglas nor Boeing Realty Corporation intends to undertake the construction of buildings on Blocks 3, 4 and 5. Boeing Realty Corporation anticipates building construction on Block 3, Block 4 and Block 5 to be completed by year 2011 or 2012.

Table 5 below describes the entitlement status of each block within the District owned by McDonnell Douglas as of April 24, 2007 and the development projected for each block.

**TABLE 5
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)
ENTITLEMENT STATUS**

<i>Expected Builder</i>	<i>Parcel No.</i>	<i>Acres</i>	<i>Type of Proposed Development</i>	<i>Total Expected Square Footage at Buildout</i>
	Block 3	10.98	Office Buildings for Sale or Lease ⁽¹⁾	177,160 ⁽²⁾
	Block 4	19.96	Office Buildings for Sale or Lease ⁽¹⁾	299,800 ⁽²⁾
	Block 5	<u>14.93</u>	Industrial/R&D Buildings for Sale or Lease	<u>237,000</u> ⁽²⁾
		45.87		713,960

⁽¹⁾ Some retail and hotel uses are also permitted.

⁽²⁾ Square footage refers to minimum expected densities and may increase over time depending on the type of uses in the District.

Source: Boeing Realty Corporation.

Except as described in this Official Statement and except for those consents, permits, authorizations, certifications and approvals of governmental entities required in the ordinary course of development, McDonnell Douglas and Boeing Realty Corporation have no actual knowledge of any circumstance that could have a material adverse effect on Boeing Realty Corporation's ability to complete the improvements that McDonnell Douglas is required to complete under the terms of the Development Agreement within the timeframe and budget described herein.

Site Development Financing Plan.

As of April 24, 2007, McDonnell Douglas and Boeing Realty Corporation had expended approximately \$11,818,333 on infrastructure costs and in excess of \$128 million in entitlement, demolition and land development costs for its development of the Douglas Park Project, including the District. Boeing Realty Corporation expects to expend approximately an additional \$140 million to complete development of the Douglas Park Project. Table 6 below sets forth the portion of the total budgeted costs that Boeing Realty Corporation expects to spend to allow the planned development in the District to be completed. As set forth in Table 6 below, Boeing Realty Corporation expects to expend approximately an additional \$54,752,782 related to its development activities in the District.

Boeing Realty Corporation intends to fund the remaining costs related to site preparation and construction through December 31, 2008 through a combination of Bond proceeds and internal funding provided by Boeing, and anticipates that such sources will be cumulatively sufficient to cover all remaining development expenses for the portion of the development to be completed by Boeing Realty Corporation. Boeing Realty Corporation receives funding from Boeing as needed to pay its expenses as incurred. Land sale proceeds when received by Boeing Realty Corporation are remitted to Boeing. Boeing received \$32,295,295 from the sale of Blocks 1 and 2 in December, 2006. Boeing Realty Corporation projects that land sale proceeds from the sale of Blocks 3, 4 and 5 will exceed the remaining development costs listed in Table 6 below by not less than 15%. Boeing Realty Corporation currently anticipates selling approximately 20 acres in 2007, with the balance of the land in the District (25.91 acres) in 2008. Additional proceeds from the sale of land in the Douglas Park Project adjacent to the District may also be received but no assurance can be given to when additional land sale proceeds from property within the District or adjacent to the District will be received.

Table 6 below shows the Boeing's projected sources and uses of funds necessary to implement the remainder of its development plan for the District.

**TABLE 6
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)
BOEING REALTY CORPORATION'S
PRO-FORMA CASH FLOW SUMMARY
FOR IMPROVEMENT AREA A ONLY
AS OF MAY 1, 2007**

	<i>Incurred through April 2007⁽¹⁾</i>	<i>Through December 2007</i>	<i>January - June 2008</i>	<i>July - December 2008</i>	<i>Total</i>
Closings					
Sources:					
Bond Proceeds (Improvement Area A)	\$ 0	\$ 12,409,794	\$ 0	\$ 0	\$ 12,409,794
Private Financing ⁽²⁾	<u>11,818,333</u>	<u>8,469,829</u>	<u>19,342,676</u>	<u>14,530,483</u>	<u>54,161,321</u>
Total Sources	<u>\$ 11,818,333</u>	<u>\$ 20,879,623</u>	<u>\$ 19,342,676</u>	<u>\$ 14,530,483</u>	<u>\$ 66,571,115</u>
Uses:					
Facilities (Non-District Eligible)	\$ 3,485,997	\$ 3,104,106	\$ 3,476,598	\$ 2,483,285	\$ 12,549,986
Facilities (District Eligible)	8,332,336	15,275,517	13,366,078	9,547,198	46,521,129
Sales, Marketing, General Overhead and Miscellaneous	<u>0</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>7,500,000</u>
Total Uses	<u>\$ 11,818,333</u>	<u>\$ 20,879,623</u>	<u>\$ 19,342,676</u>	<u>\$ 14,530,483</u>	<u>\$ 66,571,115</u>

⁽¹⁾ The amount incurred to date includes only infrastructure costs for Improvement Areas A and B; Boeing Realty Corporation has expended in excess of \$128 million in entitlement, demolition, and other development costs to date for the Douglas Park Project, which includes Improvement Areas A and B.

⁽²⁾ Internal funding will consist of funds from operations of Boeing. Boeing, Boeing Realty Corporation and McDonnell Douglas do not expect any debt or financing to be placed on the property within the District for the purpose of installing the facilities listed above. Land sale proceeds will be remitted to Boeing as received. As internal funding from Boeing will be the actual source of funding for the facilities, no projection as to future land sales is included above. See text above for Boeing Realty Corporation's projected timing for land sales in Blocks 3, 4 and 5.

Source: Boeing Realty Corporation.

Notwithstanding the foregoing, there can be no assurance that McDonnell Douglas or Boeing Realty Corporation will have timely access to the sources of funds described above which will be necessary to complete McDonnell Douglas's share of the proposed development in the District. There can also be no assurance that there will be no substantial changes in the sources and uses of funds described in Table 6 above. There is no legal obligation to Bondholders on the part of McDonnell Douglas, Boeing Realty Corporation or Boeing to make any such funds available to fund its remaining development costs or to pay ad valorem property taxes or Special Taxes related to McDonnell Douglas's property in the District. Many factors beyond McDonnell Douglas and Boeing Realty Corporation's control, or a decision by McDonnell Douglas or Boeing to alter the current plans, may cause the actual sources and uses to differ materially from the projections. None of Boeing, McDonnell Douglas nor Boeing Realty Corporation guarantee that cash will continue to be expended to complete the development within the District. Future material changes to McDonnell Douglas's and Boeing Realty Corporation's financial projections will be shown or described in the Semi-annual Report to be filed by McDonnell Douglas under the Developer Continuing Disclosure Agreement to be entered into by McDonnell Douglas. See APPENDIX H. To the extent that actual revenues are less than projected or are received more slowly than projected, other needed financing mechanisms are not put into place or actual expenses are greater than or occur earlier than projected above, there could be a shortfall in the cash required to complete McDonnell Douglas's portion of the development in the District.

Douglas Park 1-2, LLC

Douglas Park 1-2, LLC (“Douglas Park LLC”) is a single purpose Delaware limited liability company with two members and is the current owner of Block 1 and Block 2 within the District. The two members of Douglas Park LLC are Calsmart, LLC, a Delaware limited liability company, solely with respect to its Series E (“Calsmart, LLC Series E”) and Newcastle/Douglas Park LLC, a Delaware limited liability company. The managing member of Calsmart LLC Series E is RREEF America, and the managing member of Newcastle/Douglas Park, LLC is Newcastle Partners, Inc. RREEF America has been appointed by Douglas Park LLC’s members to manage Douglas Park LLC and its development within the District.

Calsmart, LLC Series E is an entity formed under the direction of the California Public Employees Retirement System as a part of its overall real estate investment strategy. To date, Calsmart, LLC Series E has contributed \$31,200,000 of capital to Douglas Park LLC, substantially all of which was used to purchase Blocks 1 and 2 within the District.

RREEF America, LLC, a Delaware limited liability company, was formed by RREEF. RREEF, a member of the Deutsche Bank Group, (“RREEF”) is a real estate and infrastructure investment firm with over 1,400 professionals in various offices internationally. RREEF offers a wide range of product offerings and investment strategies, including separate accounts, core and value-added private investment vehicles, investments in publicly-traded real estate securities and infrastructure investing. RREEF has also provided services in the property reassignment business. As of March 31, 2007, RREEF had 58.7 billion euros in assets under management.

RREEF America contracted to purchase Block 1 and Block 2, with an aggregate size of 22.38 acres, from McDonnell Douglas on October 19, 2006 pursuant to a Purchase Agreement (the “Purchase Agreement”) by and between McDonnell Douglas and RREEF America for a purchase price of \$32,295,295. The Purchase Agreement was amended on December 19, 2006. RREEF America assigned its rights to the Purchase Agreement to Douglas Park LLC on December 19, 2006. Douglas Park LLC purchased Block 1 and Block 2 from McDonnell Douglas on December 21, 2006.

Newcastle Partners Inc. (“Newcastle”), the managing member of Newcastle/Douglas Park LLC, formed Newcastle/Douglas Park LLC for the sole purpose of participating in the development being undertaken by Douglas Park 1-2 LLC and to date has contributed \$1,650,000 of capital to the venture. Newcastle will be responsible for managing and reviewing design and construction processes for Douglas Park LLC.

Newcastle was founded in 1999 as a commercial property investment and development company. Newcastle’s focus is acquiring and developing industrial, office and retail properties in California and concentrates exclusively on the markets of the Los Angeles basin and the San Francisco bay area. Newcastle provides services with regard to new development on vacant land, existing project renovation and existing project repositioning. Since 1999, Newcastle has sold more than \$194 million of properties that Newcastle either developed, renovated or repositioned. Newcastle’s current portfolio will have a complete value of over \$175 million when fully developed and stabilized. Newcastle frequently outsources its leasing and property management functions to other property management and brokerage firms. Each of Newcastle’s project investments are owned by a newly-formed single-purpose company with a separate capital structure.

Development Plan. Newcastle is processing site plans for Blocks 1 and 2 with the City, and anticipates approval from the City’s Planning Commission by August, 2007. Following site plan approval, Newcastle will begin construction plans and intends simultaneously to process the construction plans with the City and send such plans out to bid. The development for Block 1 is being planned for approximately 244,116 square feet of industrial space in 13 single-story buildings and Block 2 for 170,200 square feet of office space in 8 one and two-story buildings. Construction is expected to commence in the third quarter of 2007 and to be completed in the second quarter of 2008. Douglas Park LLC projects that all spaces constructed by it will be

sold or leased by June 30, 2009. Douglas Park LLC ultimately intends to sell the buildings constructed by it to end users or to investors.

Status of Development. Douglas Park LLC recorded the parcel map for its property in the District in December 2006. As of April 24, 2007, Block 1 and Block 2 consisted of two vacant and cleared dirt lots and there was no development under way in either block. Under the Purchase Agreement between McDonnell Douglas and Douglas Park LLC, McDonnell Douglas is responsible for bringing the property within Blocks 1 and 2 to a finished lot condition which includes streets, curbs and gutters adjacent to the blocks and utilities stubbed to the property line.

Site Development Financing Plan.

As of April 24, 2007, Douglas Park LLC had expended approximately \$32,852,429 on project costs for its development within the District, which includes land acquisition costs of approximately \$32,300,000. As shown in Table 7 below, Douglas Park LLC expects to expend approximately an additional \$54,832,571 to complete development of its land within the District.

Douglas Park LLC expects to acquire a combination land and construction loan from Bank of America by the end of June 2007 (the "Construction Loan"). Douglas Park LLC intends to fund the costs related to site preparation and construction through its current funds and the Construction Loan and anticipates that such sources will be cumulatively sufficient to cover all remaining development expenses for the portion of the development to be completed by Douglas Park LLC. Notwithstanding the foregoing, there can be no assurance that Douglas Park LLC will have timely access to the Construction Loan or other sources of funds which will be necessary to complete its share of the proposed development in the District.

Table 7 below shows the Douglas Park LLC's projected sources and uses of funds necessary to implement the remainder of its development plan for the District.

**TABLE 7
CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)
DOUGLAS PARK LLC's PRO-FORMA CASH FLOW SUMMARY
AS OF MAY 1, 2007**

	2007	2008	2009	Total
Sources				
Equity Contributions	\$32,852,000	\$ 0	\$ 0	\$ 32,852,000
Loan Proceeds	22,151,000	29,360,000	4,008,000	55,519,000
Sales Proceeds (Net of Costs) ⁽¹⁾	0	0	15,941,000	15,941,000
Rental Income (Net of Expense)	0	0	2,271,000	2,271,000
Bond Proceeds	0	0	0	0
Total	<u>55,003,000</u>	<u>29,360,000</u>	<u>22,220,000</u>	<u>106,583,000</u>
Uses				
Development in Progress	52,046,000	29,360,000	6,279,000	87,685,000
Return of Equity ⁽²⁾	2,957,000	0	0	2,957,000
Total	<u>55,003,000</u>	<u>29,360,000</u>	<u>6,279,000</u>	<u>90,642,000</u>
Sources in Excess of Uses	0	0	15,941,000	15,941,000
Cumulative Sources in Excess of Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$15,941,000</u>	<u>\$ 15,941,000</u>

⁽¹⁾ Net amount after repayment of Construction Loan and other sales and carrying costs.

⁽²⁾ The members of Douglas Park LLC have funded \$32,852,000 through contributed capital to purchase land and fund preconstruction development costs, such as engineering and architectural costs in the District. The capital contributions of Douglas Park LLC's members will be reduced to approximately \$30,000,000 following the approval and funding of the Construction Loan.

Source: Douglas Park LLC.

Notwithstanding the foregoing, there can also be no assurance that there will be no substantial changes in the sources and uses of funds anticipated to be utilized by Douglas Park LLC. There is no legal obligation to Bondholders on the part of Douglas Park LLC or any of its affiliates to make any amounts available to fund its remaining development costs or to pay ad valorem property taxes or Special Taxes related to Douglas Park LLC's property in the District. Many factors beyond Douglas Park LLC's control, or a decision by Douglas Park LLC or its members to alter its current plans, may cause the actual sources and uses to differ materially from the projections. Douglas Park LLC does not guarantee any particular cash flow or source. Future material changes to Douglas Park LLC's financial projections will be shown or described in the Annual Report or Semi-annual Report to be prepared by it pursuant to its Developer Continuing Disclosure Agreement. See APPENDIX H—"CONTINUING DISCLOSURE AGREEMENT OF DEVELOPERS." To the extent that actual revenues are less than projected or are received more slowly than projected, other needed financing mechanisms are not put into place or actual expenses are greater than or occur earlier than projected above, there could be a shortfall in the cash required to complete Douglas Park LLC's portion of the development.

Except as described in this Official Statement and except for those consents, permits, authorizations, certifications and approvals of governmental entities required in the ordinary course of development, Douglas Park LLC has no actual knowledge of any circumstances that could have a material adverse effect on its ability to complete the planned development of its property within the District within the timeframe and budget described herein.

History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy

Each of McDonnell Douglas, Boeing Realty Corporation and Douglas Park LLC represents as to itself that it has never been delinquent in the payment of any *ad valorem* property tax, special assessment or special taxes with respect to property within an assessment or community facilities district that was not cured within the Fiscal Year in which the tax or assessment was levied. Each of McDonnell Douglas, Boeing Realty Corporation and Douglas Park LLC also represents it is not in default on any loans, lines of credit or other obligation that would in any way materially and adversely affect its ability to develop its property in the District.

Each of McDonnell Douglas, Boeing Realty Corporation and Douglas Park LLC also represents as to itself that there is no litigation pending against it (based on property service of process having been accomplished) or, to its actual knowledge, threatened against it, which, if successful, would materially adversely affect its ability to complete its project or projects within the District within the budget and timeframe described herein or to pay the Special Taxes or *ad valorem* tax obligations on the parcels that it owns within the District prior to delinquency.

Each of McDonnell Douglas, Boeing Realty Corporation and Douglas Park LLC also represents as to itself that it has never filed bankruptcy or been declared bankrupt and, to the actual knowledge of the officers of McDonnell Douglas, Boeing Realty Corporation and Douglas Park LLC signing a certificate with respect to these matters, have no present intention to file for bankruptcy.

The receipt of the Special Taxes is dependent on the willingness and the ability of McDonnell Douglas, Boeing Realty Corporation and Douglas Park LLC, or their successors, to pay the Special Taxes prior to delinquency. None of McDonnell Douglas, Boeing Realty Corporation, Boeing or Douglas Park LLC, or any of their affiliates, are under any legal obligation of any kind to expend funds for the development of the property within the District. See "SPECIAL RISK FACTORS—Concentration of Ownership" and "—Failure to Develop Properties" herein.

SPECIAL RISK FACTORS

The purchase of the Bonds involves investment risk and, therefore, the Bonds are not suitable investments for many types of investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See "Land Values" and "Limited Secondary Market" below.

Risks of Real Estate Secured Investments Generally

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of property or buildings and/or sites in the event of sale or foreclosure; (ii) the commercial lending market and the ability of the end users of the industrial and office buildings in the District to obtain financing; (iii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iv) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses; (v) adverse changes in local market conditions; and (vi) increased delinquencies due to rising mortgage costs and other factors.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the City. Except with respect to the Special Taxes, neither the credit nor the taxing power of the District or the City is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Fiscal Agent Agreement, no Owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any City or District property. The principal of, premium, if any, and interest on the Bonds are not a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of the City's income, receipts or revenues, except the Special Tax Revenues and other amounts pledged under the Fiscal Agent Agreement. Special Tax Revenues could be insufficient to pay debt service on the Bonds as a result of delinquencies in the payment of Special Taxes or the insufficiency of proceeds derived from the sale of land within the District following a delinquency in the payment of the applicable Special Tax. The City has no obligation to pay debt service on the Bonds in the event of insufficient Special Tax Revenues except to the extent that money is available for such purpose in the Reserve Fund. The City's only obligation with respect to delinquent Special Taxes is to pursue judicial foreclosure proceedings under the circumstances described in the Fiscal Agent Agreement. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Proceeds of Foreclosure Sales."

Concentration of Ownership

Based on the ownership status of the land within the District as of April 24, 2007, 67% of the Special Taxes securing the Bonds, when and as levied, would be payable by McDonnell Douglas and 33% Douglas Park LLC. Unless and until parcels of land within the District are sold to other parties, the receipt of the Special Taxes is dependent on the willingness and the ability of McDonnell Douglas and Douglas Park LLC to pay the Special Taxes prior to delinquency. Failure of McDonnell Douglas and Douglas Park LLC or any successor(s), to pay the annual Special Taxes prior to delinquency could result in a default in payments of the principal of, and interest on, the Bonds, when due. See "—Failure to Develop Properties" below.

No assurance can be given that Boeing Realty Corporation, Douglas Park LLC, or their successors, will complete the intended construction and development in the District. See “—Failure to Develop Properties” below. No assurance can be given that McDonnell Douglas, Douglas Park or their successors, will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “—Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

The Rate and Method permits property owners to prepay Special Taxes in whole or in part. Prepayments by an owner would increase the percentage of Special Taxes paid by the remaining owners. An increase in the concentration of ownership of the parcels subject to the Special Tax presents potential risks to Bondowners.

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on whether such parcel is categorized as Undeveloped Property or as Developed Property. Developed Property will be taxed first up to the maximum rate per acre permitted under the Rate and Method, with the balance to be levied in each fiscal year being levied on Undeveloped Property up to the maximum rate permitted per acre. See APPENDIX A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” and “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Method of Apportionment of Special Tax.*”

The Rate and Method governing the levy of the Special Tax expressly exempts certain property within the District which is publicly owned, is subject to a public utility easement, is owned by a property owner association or as determined by the CFD Administrator so long as the Taxable Property in the District is not reduced to less than 67.60 acres. If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

Moreover, if a substantial portion of land within the District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining property within the District might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Failure to Develop Properties

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of McDonnell Douglas, Douglas Park LLC or their successors to pay the Special Taxes prior to delinquency. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Finally, development of land is subject to economic considerations.

As of April 24, 2007, the required infrastructure was 20% complete, and none of the buildings proposed for the District were under construction. See “PROPERTY OWNERSHIP AND THE DEVELOPMENTS.” Significant infrastructure improvements remain to be completed in order to complete the proposed development within the District. However, no assurance can be given that the remaining

proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain vacant and unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bond Owners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in the District as planned, or substantial delays in the completion of the development or the required infrastructure for the development due to litigation or other causes may reduce the value of the property within the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes prior to delinquency.

There can be no assurance that land development operations within the District will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in commercial real estate lending rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bond Owners should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Taxes prior to delinquency.

The payment of principal of and interest on the Bonds is dependent upon the receipt of Special Taxes levied on Developed Property and Undeveloped Property. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Bond Owners should it be necessary for the District to foreclose on Undeveloped Property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the District as currently proposed will make the Bond Owners dependent upon timely payment of the Special Taxes levied on Undeveloped Property. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of McDonnell Douglas and Douglas Park LLC to make Special Tax payments on Undeveloped Property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See “—Land Values” below.

Future Land Use Regulations and Growth Control Initiatives

It is possible that future growth control initiatives could be enacted by the voters or future local, state or federal land use regulations could be adopted by governmental agencies and be made applicable to the development of the vacant land within the District with the effect of negatively impacting the ability of the owners of such land to complete the development of such land if they should desire to develop it. This possibility presents a risk to prospective purchasers of the Bonds in that an inability to complete desired development increases the risk that the Bonds will not be repaid when due. The owners of the Bonds should assume that any reduction in the permitted density, significant increase in the cost of development of the vacant land or substantial delay in development caused by growth and building permit restrictions or more restrictive land use regulations would cause the values of such vacant land within the District to decrease. A reduction in land values increases the likelihood that in the event of a delinquency in payment of Special Taxes a foreclosure action will result in inadequate funds to repay the Bonds when due. In completing its analysis, the Appraiser has assumed that there will be no delays in development due to land use regulations or growth control initiatives.

Completion of construction of any proposed structures on the vacant land within the District is subject to the receipt of approvals from a number of public agencies concerning the layout and design of such structures, land use, health and safety requirements and other matters. The failure to obtain any such approval could adversely affect the planned development of such land.

Under current State law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on the permits. Because future development of vacant property in the District could occur over several years, if at all, and either within the scope of applicable development agreements or otherwise, the application of future land use regulations to the development of the vacant land could cause significant delays and cost increases not currently anticipated, thereby reducing the development potential of the vacant property and the ability or willingness of owners of such land to pay Special Taxes prior to delinquency or causing land values of such land within the District to decrease substantially from those in the Appraisal.

Soils and Seismic Conditions and Natural Disasters

The District is located in a seismically active region in Southern California. There is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. While the property within the District subject to the lien of Special Taxes is not located in a known fault zone, such property may nevertheless be subject to unpredictable seismic activity.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, McDonnell Douglas, Douglas Park LLC or their successors may be unable or unwilling to pay the Special Taxes prior to delinquency. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Endangered Species

During the 1990s, there was an increase in activity at the State and federal level related to the possible listing of certain plant and animal species found in the Southern California area as endangered species. An increase in the number of endangered species would curtail development in a number of areas. At present, the property within the District is not known to be inhabited by any plant or animal species which is on the endangered species list or which either the California Fish and Game Commission or the United States Fish and Wildlife Service has proposed for addition to the endangered species list. Notwithstanding this fact, new species are proposed to be added to the State and federal protected lists on a regular basis. Any action by the State or federal governments to protect species located on or adjacent to the property within the District could negatively impact Boeing Realty Corporation's or Douglas Park LLC's ability to complete the development as planned. This, in turn, could reduce the likelihood of timely payment of the Special Tax and would likely reduce the value of the land estimated by the Appraiser and the potential revenues available at a foreclosure sale for delinquent Special Taxes. See "—Failure to Develop Properties" and "—Land Values" herein. McDonnell Douglas, Boeing Realty Corporation and Douglas Park LLC have represented to the District that they are not aware of any endangered species located on their property within the District.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with

regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the property within the District, as set forth herein and in the Appraisal, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. McDonnell Douglas and Douglas Park LLC do not believe that they have such a current liability with respect to any such parcel.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

For a discussion of soil and groundwater assessment and remediation as a result of prior uses in the District see “PROPERTY OWNERSHIP AND THE DEVELOPMENTS—McDonnell Douglas Corporation and Boeing Realty Corporation—*Environmental Condition of the District*” herein.

Parity Taxes, Special Assessments and Land Development Costs

Property within the District is subject to tax and assessment liens of several overlapping public agencies. See “THE COMMUNITY FACILITIES DISTRICT—Direct and Overlapping Indebtedness.” The total tax payments due on a parcel as a percentage of value could increase as a result of price reductions made by McDonnell Douglas and Douglas Park LLC as well as declining prices in the real estate market.

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by the City and other public agencies and is co equal to and independent of the lien for general property taxes regardless of when they are imposed. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “—Bankruptcy and Foreclosure” below.

Development of land within the District is contingent upon construction or acquisition of major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage and flood protection facilities, gas, telephone and electrical facilities, schools, parks and street lighting, as well as local in tract improvements and on site grading and related improvements. Certain of these improvements have been acquired and/or completed; however, there can be no assurance that the remaining improvements will be constructed or will be constructed in time for development to proceed as currently expected. The cost of these additional improvements plus the public and private in-tract, on site and off site improvements could increase the public and private debt for which the land within the District is security. This increased debt could reduce the ability or desire of the property owners to pay the annual Special Taxes levied against the property. In that event there could be a default in the payment of principal of, and interest on, the Bonds when due.

Neither the City nor the District has control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or

knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within the District described herein.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Law requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax prior to delinquency.

Payment of the Special Tax is not a Personal Obligation of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the City has no recourse against the owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner within the District is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE COMMUNITY FACILITIES DISTRICT—Estimated Value-to-Lien Ratios."

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal, that as of April 24, 2007, the value of the land within the District was approximately \$88,370,000. The Appraisal is based on a number of assumptions and limiting conditions as stated in APPENDIX G—"APPRAISAL REPORT." The Appraisal does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land within the District could be sold for the amount stated in the Appraisal at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See Appendix G for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within the District from that estimated by the Appraiser.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per Fiscal Year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See APPENDIX C—"SUMMARY OF THE FISCAL AGENT AGREEMENT—OTHER COVENANTS OF THE CITY—Covenant to Foreclose."

FDIC/Federal Government Interests in Properties

The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") has an interest. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has

or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment on the Bonds.

As of April 24, 2007, the City is not aware of any ownership of property within the District by the FDIC.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the funds and accounts created under the Fiscal Agent Agreement from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against the property owner and if the court found that the property owner had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights' to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and the limitations on legal remedies against governmental entities such as the District in the State of California.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the Bonds or the Fiscal Agent Agreement.

Loss of Tax Exemption

The interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of a failure of the City to comply with certain provisions of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption provisions of the Fiscal Agent Agreement.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected

for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights' to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and the limitations on legal remedies against governmental entities such as the City in the State of California. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City and certain property owners have committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bond Owners on a timely basis. See "CONTINUING DISCLOSURE." The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes available to the City to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIII states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Law provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Law prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax

pledged to repay any debt incurred pursuant to the Law unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the City has covenanted to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due on the Bonds in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “SPECIAL RISK FACTORS—Limitations on Remedies.”

Ballot Initiatives

Article XIII A, Article XIII B and Proposition 218 were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process. On March 6, 1995 in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations or on the ability of the landowners within the District to complete the remaining proposed development. See “SPECIAL RISK FACTORS—Failure to Develop Properties” herein.

CONTINUING DISCLOSURE

Pursuant to the City Continuing Disclosure Agreement with the Fiscal Agent, as dissemination agent (the “City Disclosure Agreement”), the City, for and on behalf of the District, has agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (each, a “Repository”) certain financial information and operating data concerning the District on an annual basis. The Annual Report to be filed by the City for and on behalf of the District is to be filed not later than March 28 of each year, beginning March 28, 2008, and is to include audited financial statements of the City. The requirement that the City file its audited financial

statements as a part of the Annual Report has been included in the City Disclosure Agreement solely to satisfy the provisions of Rule 15c2-12. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “SPECIAL RISK FACTORS—Limited Obligations.” The City has never failed to file timely its reports pursuant to its previous undertaking with regard to Rule 15c2-12. The full text of the City Disclosure Agreement is set forth in Appendix D.

To assist the Underwriter in complying with Rule 15c2-12(b)(5), McDonnell Douglas and Douglas Park LLC each will enter into a Developer Continuing Disclosure Agreement (together, the “Developer Continuing Disclosure Agreements”) with the Fiscal Agent, as dissemination agent covenanting to provide Semi-Annual Reports not later than March 1 and September 1 of each year, commencing September 1, 2007. The Semi-Annual Reports provided by McDonnell Douglas and Douglas Park LLC as of each March 31 are to contain the unaudited financial statements of McDonnell Douglas and Douglas Park LLC, and if prepared, the audited financial statements, and the additional financial and operating data outlined in Section 3 of the forms of Developer Continuing Disclosure Agreements attached in Appendix H.

Each Developer’s obligation under its Developer Continuing Disclosure Agreement will terminate upon any of the following events: (a) the legal defeasance, prior redemption or payment in full of all of the Bonds, (b) if as of the date for filing the Semi-Annual Report such Developer and its members, collectively, own property within the District which is responsible for less than twenty percent (20%) of the Special Taxes levied in the Fiscal Year for which the Semi-Annual Report is being prepared, (c) at such time as certificates of occupancy are issued for all buildings proposed for construction on the property within the District, or (d) upon the delivery by such Developer to the District and the Participating Underwriter of an opinion of nationally recognized bond counsel to the effect that the information required by such Developer Continuing Disclosure Agreement is no longer required. Each Developer will also agree in its Continuing Disclosure Agreement that if it sells or transfers an ownership interest in any property in the District, other than to its members, which will result in the transferee becoming responsible for the payment of 20% or more of the annual Special Tax levy in the Fiscal Year following such transfer, such Developer will cause any such transferee to enter into a disclosure agreement described in such Developer Continuing Disclosure Agreement.

McDonnell Douglas and Douglas Park LLC are not aware of any material failures to comply with previous continuing disclosure undertakings by them or any of their affiliates over which they exercise managerial control to provide periodic continuing disclosure reports or notices of material events (within the meaning of Rule 15c2-12) within the past five years.

The Developer Continuing Disclosure Agreements will inure solely to the benefit of the District, any Dissemination Agent, the Underwriter and owners or beneficial owners from time to time of the Bonds.

TAX MATTERS

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, under existing law, subject to the City’s compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and, under Section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the City to comply with one or more of such covenants could cause interest on the Bonds to not be excludable from gross income under Section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Bondowners should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds might have tax consequences other than as described above. Bond Counsel expresses no opinion regarding any collateral tax consequences arising with respect to the Bonds other than as expressly described above.

The complete text of Bond Counsel's proposed opinion is set forth in Appendix E hereto.

LEGAL MATTERS

The legal opinion of Quint & Thimmig LLP, San Francisco, California, approving the validity of the Bonds in the form set forth as Appendix E hereto, will be made available to purchasers at the time of original delivery. Certain legal matters will be passed upon for the City and the District by the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriter's Counsel. Bond Counsel and Underwriter's Counsel express no opinion to the owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or offering materials relating to the Bonds, and expressly disclaim any duty to advise the owners of the Bonds as to matters related to the Official Statement.

LITIGATION

No litigation is pending or, to the knowledge of the City, threatened concerning the validity of the Bonds or the pledge of Special Taxes to repay the Bonds and a certificate of the City to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City to levy and collect the Special Taxes or to issue and retire the Bonds.

NO RATING

The City has not made and does not contemplate making application to any rating agency for the assignment of a rating of the Bonds.

UNDERWRITING

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____ (being \$_____ aggregate principal amount thereof, less net original issue discount of \$_____, less Underwriter's discount of \$_____). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

The fees being paid to the Underwriter and Underwriter's Counsel and a portion of the fees being paid to the Financial Advisor and Bond Counsel are contingent upon the issuance and delivery of the Bonds.

PENDING LEGISLATION

The City is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the City to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions.

The execution and delivery of this Official Statement by the City Manager of the City has been duly authorized by the City Council of the City acting in its capacity as the legislative body of the District.

CITY OF LONG BEACH for and on behalf of
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK - COMMERCIAL AREA)

By: _____
City Manager

APPENDIX A

IMPROVEMENT AREA A OF THE CITY OF LONG BEACH
COMMUNITY FACILITIES DISTRICT NO. 2007-1
(DOUGLAS PARK – COMMERCIAL AREA)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

An Annual Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area) (“IA A”) and collected each Fiscal Year commencing in Fiscal Year 2007-2008 according to the tax liability determined through the application of this Rate and Method of Apportionment of Special Taxes to the extent and in the manner herein provided.

1. **Definitions**

“**Acre**” or “**Acreage**” means the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, record of survey or other recorded document creating and describing such area of land. The square footage of an Assessor’s Parcel is equal to the Acreage of such parcel multiplied by 43,560 square feet. Notwithstanding the foregoing, “Acre” or “Acreage” shall not include the area of any land subject to an easement in favor of the City for roadways, as determined by the District Administrator.

“**Act**” means the Long Beach Special Tax Financing Improvement Law, as amended, being Sections 3.52.511 et seq. of the Long Beach Municipal Code.

“**Administrative Expenses**” means the following actual or reasonably estimated costs directly related to the administration of IA A: computing the Annual Special Tax; preparing the Annual Special Tax collection schedules (whether by the City or designee thereof or both); collecting the Special Taxes (whether by the City, the County or otherwise); remitting the Special Taxes to the Trustee; fees and expenses of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, IA A, or any designee thereof complying with federal arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, IA A, or any designee thereof complying with disclosure or reporting requirements associated with applicable federal and State laws or the Act; preparing the Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; costs related to any appeal of the Special Tax; the City’s annual administration fees and any expenses related to IA A or the Bonds, and any other cost or expense of the City related to any of the foregoing. Administrative Expenses shall also include amounts estimated or advanced by the City or IA A for any other administrative purposes of IA A, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

“**Annual Special Tax**” means any Special Tax levied within IA A pursuant to the Act and this Rate and Method of Apportionment of Special Taxes for any Fiscal Year.

“**Annual Special Tax Requirement for Facilities**” means that amount required in any Fiscal Year to: (i) pay Debt Service; (ii) pay periodic costs on the Outstanding Bonds as required by the Indenture, including but not limited to, credit enhancement and rebate payments with respect to any Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities, provided that the inclusion of such amount does not cause the Special Tax A to be levied on Undeveloped Property or cause an increase in the Special Tax A to be levied on Undeveloped Property, and (vi) pay for anticipated delinquent Special Tax A based on the delinquency rate for Special Tax A levy in the previous Fiscal Year; less (vii) a credit for funds

available to reduce the Annual Special Tax Requirement for Facilities levy, as determined by the District Administrator consistent with any applicable provisions of the Indenture.

“Annual Special Tax Requirement for Services” means that amount required in any Fiscal Year to: (i) pay the costs of Services incurred or otherwise payable in the Calendar Year commencing in such Fiscal Year; (ii) fund an operating reserve for the costs of Services as determined by the District Administrator; less a credit for funds available to reduce the annual Special Tax B levy as determined by the District Administrator.

“Assessor” means the Assessor of the County.

“Assessor's Parcel” means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

“Assessor's Parcel Map” means an official map of the Assessor designating parcels by Assessor's Parcel Number.

“Assessor's Parcel Number” means the number assigned to an Assessor's Parcel by the Assessor for purposes of identification.

“Bonds” means any bonds or other indebtedness of IA A, whether in one or more series, payable from the proceeds of the levy of all or a portion of Special Tax A.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“District Administrator” means an official of the City, or designee thereof, responsible for determining the Annual Special Tax Requirement for Facilities, the Annual Special Tax Requirement for Services, and for preparing the Annual Special Tax roll.

“District No. 2007-1” means the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area).

“City” means the City of Long Beach, California.

“Consumer Price Index” means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for “All Urban Consumers” in the Los Angeles-Anaheim-Riverside Area, measured as of the month of April in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index that is reasonably comparable to the Consumer Price Index for the City of Los Angeles, as determined by the District Administrator.

“Council” means the City Council of the City acting as the legislative body of IA A under the Act.

“County” means the County of Los Angeles, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means for any respective Fiscal Year, all Taxable Property, exclusive of Property Owner Association Property or Public Property, for which a building permit for new construction was issued after January 1, 2007 and prior to March 1 of the previous Fiscal Year.

“Development Agreement” means the Development Agreement, dated as of December 21, 2004 executed by the City and McDonnell Douglas Corporation (recorded on June 2, 2005 as Document No. 05-1290603 in the Los Angeles County Recorder’s Office) and as amended from time to time.

“Exempt Property” means Assessor’s Parcels designated as being exempt from the Special Tax pursuant to Section 8.

“Fiscal Year” means the period starting on July 1 of any year and ending on June 30 of the following Calendar Year.

“Improvement Area A” or “IA A” means Improvement Area A of District No. 2007-1, as identified on the boundary map for District No. 2007-1, as in effect on the date of formation of IA A, and as may thereafter be amended in accordance with the Act.

“Indenture” means the indenture, trust agreement, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Maximum Special Tax A” means the Maximum Special Tax A determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax B” means the Maximum Special Tax B determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Outstanding Bonds” mean all Bonds that are outstanding under the Indenture.

“Property Owner Association Property” means any Assessor’s Parcel owned in fee by a property owner association, including any master or sub-association.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax A levy to the Maximum Special Tax A is equal for all Assessor’s Parcels of Developed Property for the applicable Fiscal Year and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor’s Parcels of Developed Property for the applicable Fiscal Year. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax A levy per Acre to the Maximum Special Tax A per Acre is equal for all Assessor's Parcels of Undeveloped Property for the applicable Fiscal Year and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor’s Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

“Provisional Taxable Property” means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 8, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 8.

“Public Property” means any property within the boundaries of IA A, which is owned by, or irrevocably offered for dedication to, the federal government, the State, the County, the City or any other public agency.

“Services” means the services eligible to be funded by IA A.

“Special Tax” means any Special Tax A and/or Special Tax B levied within IA A pursuant to the Act and this Rate and Method of Apportionment of Special Taxes.

“**Special Tax A**” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA A to fund the Annual Special Tax Requirement for Facilities.

“**Special Tax B**” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA A to fund the Annual Special Tax Requirement for Services.

“**Special Tax A Obligation**” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax A for the period described in Section 7 below.

“**State**” means the State of California.

“**Taxable Property**” means all of the Assessor’s Parcels within the boundaries of IA A, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 below.

“**Trustee**” means the trustee or fiscal agent acting in that capacity under the Indenture.

“**Undeveloped Property**” means, for each Fiscal Year, all Taxable Property within the boundaries of IA A not classified as Developed Property or Provisional Taxable Property.

2. Classification of Property within District No. 2007-1

Each Fiscal Year, beginning with Fiscal Year 2007-2008, the District Administrator shall classify each Assessor’s Parcel within the boundaries of IA A as Taxable Property or Exempt Property. Taxable Property within the boundaries of IA A shall be further classified as Developed Property, Provisional Taxable Property or Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Taxes determined by the District Administrator pursuant to Sections 3 and 4 below.

3. Maximum Special Tax Rates

A. Special Tax A (Facilities)

(i). Developed Property

The Maximum Special Tax A for each Assessor's Parcel classified as Developed Property shall be \$13,530.50 per Acre for Fiscal Year 2007-2008.

(ii). Undeveloped Property and Provisional Taxable Property.

The Maximum Special Tax A for each Assessor’s Parcel classified as Undeveloped Property or Provisional Taxable Property shall be \$13,530.50 per Acre for Fiscal Year 2007-2008.

B. Special Tax B (Services)

(i). Developed Property

The Maximum Special Tax B for each Assessor’s Parcel classified as Developed Property shall be \$1,516.50 per Acre for Fiscal Year 2007-2008.

(ii). Undeveloped Property

The Maximum Special Tax B for each Assessor's Parcel classified as Undeveloped Property shall be \$1,516.50 per Acre for Fiscal Year 2007-2008.

(iii). Property Owner Association Property and Public Property

No Special Tax B shall be levied on Public Property or Property Owner Association Property, including but not limited to any such property classified as Provisional Taxable Property.

C. Escalation of Special Tax

Special Tax A

On July 1st of each Fiscal Year, commencing July 1, 2008, the Maximum Special Tax A for Developed Property, Undeveloped Property and Provisional Taxable Property shall increase by two-percent (2.0%) of the amount in effect in the prior Fiscal Year.

Special Tax B

On July 1st of each Fiscal Year, commencing July 1, 2008, the Maximum Special Tax B shall be increased by the greater of (i) the most recent annual percentage change in the Consumer Price Index or (ii) two-percent (2%) of the amount in effect in the prior Fiscal Year.

4. Method of Apportionment

A. Special Tax A

For each Fiscal Year the District Administrator shall determine the Annual Special Tax Requirement for Facilities and levy Special Tax A, until the amount of Special Tax A equals the Annual Special Tax Requirement for Facilities. The Special Tax A shall be levied each Fiscal Year as follows:

First: The Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the Maximum Special Tax A for Developed Property;

Second: If additional monies are needed to satisfy the Annual Special Tax Requirement for Facilities after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax A for Undeveloped Property and;

Third: If additional monies are needed to satisfy the Annual Special Tax Requirement for Facilities after the first two steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Taxable Property at up to 100% of the Maximum Special Tax A for Provisional Taxable Property.

B. Special Tax B

For each Fiscal Year the District Administrator shall determine the Annual Special Tax Requirement for Services and levy Special Tax B, until the amount of Special Tax B equals the Special Tax Requirement for Services. The Special Tax B shall be levied each Fiscal Year as follows:

First: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the Maximum Special Tax B for Developed Property; and

Second: If additional monies are needed to satisfy the Annual Special Tax Requirement for Services after the first step has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax B for Undeveloped Property.

5. Collection of Special Taxes

Collection of the Annual Special Tax shall be undertaken by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax so levied shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the District Administrator may provide for (i) other means of collecting the Annual Special Tax, including direct billings thereof to the property owners in which event Special Taxes so levied shall be due and delinquent as provided in any such billing; and (ii) judicial foreclosure of any delinquent Special Taxes.

6. Prepayment of Special Tax A Obligation

The Special Tax A Obligation for any Assessor's Parcel may be prepaid in full and permanently satisfied at anytime, as described herein, provided that a prepayment may be made only if at the time of the prepayment there are no delinquent Special Taxes with respect to such Assessor's Parcel and all other Assessor's Parcels which are under the same ownership and located within IA A. An owner of an Assessor's Parcel intending to prepay the Special Tax A Obligation shall provide the District Administrator with written notice of intent to prepay and any fee (as determined by the District Administrator) required to calculate the prepayment. Within sixty (60) days of receipt of such written notice and fee payment, the District Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel and the date through which the amount of such prepayment shall be valid. Special Tax B may not be prepaid.

A. Prepayment in Full

The "Prepayment" shall be an amount equal to the sum of (1) Principal, (2) Premium, (3) Defeasance (4) Unfunded Facilities, and (5) Fees, minus the Reserve Fund Credit, where the terms "Principal," "Premium," "Defeasance," "Unfunded Facilities", "Fees," and "Reserve Fund Credit," have the following meanings:

"Principal" means the principal amount of Bonds to be redeemed from the proceeds of such Prepayment and equals the amount derived by dividing; 1. (a) the applicable Maximum Special Tax A for the applicable Assessor's Parcel by (b) the projected aggregate Maximum Special Tax A for all Taxable Property as determined by the District Administrator (and excluding from (b) any Special Tax A for Assessor's Parcels which have fully prepaid the Special Tax), and 2. multiplying the quotient calculated in 1. by the principal amount of Outstanding Bonds as of the first interest and/or principal payment date following the then current Fiscal Year.

"Premium" means an amount equal to the Principal multiplied by the applicable redemption premium, if any, for the Bonds to be so redeemed with the proceeds of any such Prepayment, determined by reference to the Indenture.

"Defeasance" means an amount equal to the amount needed to pay interest on the Principal to be redeemed until the earliest redemption date as determined by the District Administrator for the Outstanding Bonds less the amount that is estimated by the District Administrator to be received from the reinvestment of the difference between the amount of the Prepayment

and the Fees. Credit shall also be given for any Special Tax A heretofore paid and which will not be needed for purposes of funding the then current Fiscal Year's Annual Special Tax Requirement for Facilities.

"Fees" equal the fees and expenses of IA A, the Trustee, the District Administrator and the City related to the Prepayment and any corresponding redemption of Bonds, including but not limited to any Administration Expenses, publishing fees, and Bond call fees.

"Reserve Fund Credit" shall equal the lesser of (i) the expected reduction in the applicable reserve fund requirement (as determined by reference to the Indenture), if any, following the redemption of Bonds from proceeds of the Prepayment or (ii) the amount derived by subtracting the new reserve fund requirement in effect after the redemption of Bonds from the balance in the reserve fund (as determined by reference to the Indenture) on the prepayment date, but in no event shall such amount be less than zero.

"Unfunded Facilities" means an amount equal to the estimated cost of the unfunded public facilities allocable to the Assessor's Parcel for which the Prepayment is being calculated and is computed by multiplying the quotient calculated when determining Principal by \$13,030,300 less the estimated cost (as determined by the District Administrator) of any such facilities financed by previously issued Bonds. Unfunded Facilities shall equal zero following the issuance of all of the Bonds (i.e., all the authorized Bonds have been issued and/or IA A has covenanted not to issue any more Bonds, other than refunding Bonds).

The sum of the amounts calculated in the preceding steps shall be paid to IA A and shall be used to pay and redeem Bonds in accordance with the Indenture and to pay the Fees. Upon receipt of such Prepayment by IA A, the obligation to pay the Special Tax A for such Assessor's Parcel shall be deemed to be permanently satisfied, the Special Tax A shall not be levied thereafter on such Assessor's Parcel, and the District Administrator shall cause notice of cancellation of the Special Tax A for such Assessor's Parcel to be recorded.

Notwithstanding the foregoing, no prepayment shall be allowed unless the amount of Special Tax A that may be levied pursuant to this Rate and Method of Apportionment of Special Taxes after the proposed prepayment is at least the sum of (i) the estimated Administrative Expenses, based on the average annual Administrative Expenses to date, and (ii) one hundred ten percent (110%) of the maximum annual Debt Service for the Bonds, taking into account the Bonds to remain outstanding after such prepayment.

B. Prepayment in Part

The Special Tax A on an Assessor's Parcel of Developed Property or Undeveloped Property for which building permits have been issued may be partially prepaid. The Prepayment shall be calculated as in Section 6A; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE - A) \times F + A.$$

These terms have the following meanings:

- PP = the partial prepayment
- P_E = the Prepayment calculated according to Section 6A
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax A.
- A = the Fees from Section 6A

The owner of any Assessor's Parcel who desires such prepayment shall notify the District Administrator of (i) such owner's intent to partially prepay the Special Tax A, (ii) the percentage by which the Special Tax A shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The District Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax A for such Assessor's Parcel within sixty (60) days of the request and may charge a fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, IA A shall (i) distribute the funds remitted to it according to Section 6A, and (ii) indicate in the records of IA A that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

7. Term of Annual Special Tax

Special Tax A shall be levied for a period not to exceed the 40 years commencing with Fiscal Year 2007-2008.

Special Tax B shall be levied as long as necessary to meet the Annual Special Tax Requirement for Services.

8. Exemptions

A. Special Tax A

The District Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, (iii) Assessor's Parcels with public utility easement making impractical the utilization thereof for purposes other than those permitted in such easement, (iv) property described on Attachment A, or (v) as determined reasonably by the District Administrator, provided that no such classification would reduce the sum of all Taxable Property in IA A to less than 67.70 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in IA A to less than 67.70 acres of Acreage shall be classified as Provisional Taxable Property, and will continue to be subject to Special Tax A accordingly. Exempt Property status for the purpose of this paragraph will be assigned by the District Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

The Special Tax A Obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency but which is classified as Provisional Taxable Property pursuant to the first paragraph of Section 8A above shall be prepaid in full by the seller pursuant to Section 6, prior to the transfer/dedication of such property to such public agency. Until the Special Tax A Obligation for any such Public Property is prepaid, the property shall continue to be subject to the levy of the Special Tax A as Provisional Taxable Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 8 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

B. Special Tax B

No Special Tax B shall be levied on Public Property and Property Owner Association Property, including any such property that may otherwise be classified as Provisional Taxable Property under Section 8A above.

9. Appeals

Any landowner who pays the Annual Special Tax and believes that the amount of the Annual Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the District Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Annual Special Tax that is disputed. If following such consultation, the District Administrator determines that an error has occurred, the District Administrator may amend the amount of the Annual Special Tax to be levied on such Assessor's Parcel in the next Fiscal Year. If following such consultation and action, if any by the District Administrator, the landowner believes such error still exists, such person may file a written notice with the City Treasurer appealing the amount of the Annual Special Tax levied on such Assessor's Parcel. Upon the receipt of any such notice, the City Treasurer may establish such procedures as he or she deems necessary to undertake the review of any such appeal. The City Treasurer or designee thereof shall interpret this Rate and Method of Apportionment of Special Taxes and make determinations relative to the administration of the Annual Special Tax and any landowner appeals as herein specified. The decision of the City Treasurer or designee shall be final and binding as to all persons.

ATTACHMENT A

The property described in the following legal description prepared by Peter J. Fitzpatrick dated October 19, 2006 will not be subject to the Special Tax for District No. 2007-1.

Those portions of Lots 39, 40, 41 and 42 of the Tract 8084, in the City of Long Beach, County of Los Angeles, State of California, as shown on the map filed in Book 171, Pages 24 through 30, inclusive, of Maps and also shown on the map filed in Book 170, Pages 94 through 99, inclusive, of Records of Survey, both in the Office of the County Recorder of said County, lying northerly of the following described line:

Commencing at the centerline intersection of Lakewood Boulevard, 100 feet wide, and Carson Street, 100 feet wide, as shown on said Record of Survey; thence South $00^{\circ}17'22''$ West 1,622.34 feet; thence leaving said centerline South $89^{\circ}59'55''$ West 50.00 feet to the westerly line of said Lakewood Boulevard, said point being the **True Point of Beginning**; thence continuing South $89^{\circ}59'55''$ West 3,457.04 feet to the boundary line between the Cities of Lakewood and Long Beach, said line having a bearing and distance of North $00^{\circ}17'02''$ East 464.28 feet as shown on said Record of Survey.

This legal description is not intended to be used in the conveyance of land in violation of the subdivision map act of the State of California.

APPENDIX B

CERTAIN INFORMATION CONCERNING THE CITY OF LONG BEACH

The Bonds are not obligations of the City of Long Beach (the "City") or the County of Los Angeles (the "County") and do not represent a lien or charge against any funds or property of the City or the County. The following information is provided only to give prospective investors an overview of certain statistical information concerning the City and the County.

General

The City of Long Beach (the "City") is a municipal corporation and chartered city of the State and encompasses approximately 52 square miles of coastal area located on the southern edge of Los Angeles County (the "County"). With a current population of approximately 490,000, it is the second largest city in the County and the fifth largest city in the State of California. The City's climate is mild, with temperatures ranging from an average of 54 degrees in January to 72 degrees in July. Precipitation averages 12.1 inches per year. The center of the City is 22 miles south of downtown Los Angeles, 450 miles south of San Francisco and 110 miles north of San Diego. The City has long been a major industrial center and popular beach resort area. The Port of Long Beach (the "Port"), along with its related commercial activities, imparts strength to the local economy. Further, the City has been successful in building a substantial tourist and convention business and is currently taking vigorous steps to augment tax revenues from these sources.

Municipal Government

The City was originally incorporated in 1888, and after a short period of disincorporation, was reincorporated on December 13, 1897. Since 1907, the City has been governed as a charter city. The present City charter was originally adopted in 1921 and has been amended from time to time.

The City operates under the council-manager form of government with a nine-member City Council. City Council members are nominated and elected by district to serve four-year terms, with a maximum of two such terms. The Mayor is nominated and elected by the City at large. The Vice-Mayor is elected by the Council from among its members. Other city-wide elected offices are City Attorney, City Auditor and City Prosecutor.

The City Manager is appointed by and serves at the discretion of the City Council. As head of the municipal government, the City Manager is responsible for the efficient administration of all departments, with the exception of the elective offices noted above and the following three semi-autonomous commissions: Civil Service Commission, Board of Water Commissioners and Board of Harbor Commissioners. The City currently employs approximately 5,600 persons within 22 departments.

The police department consists of approximately 1,460 uniformed officers and supporting personnel. The fire department operates 24 fire stations with approximately 540 firefighters, officers and employees. The City's fire department currently maintains a Class One insurance rating.

In 1931, a Charter amendment was passed which created the Board of Water Commissioners and authorized the City to join the Metropolitan Water District of Southern California. These decisions sought to ensure an adequate water supply for the City.

Within the framework of the City's General Plan, orderly growth and development of the community is controlled by a three-step planning and budgetary process utilizing the following instruments: the annual budget, the six-year Capital Improvement Program and the five-year Long Range Financial Plan.

Population

The City's population as of January 1, 2006, was estimated to be 490,166 persons. This figure represents 4.8% of the corresponding County figure and 1.3% of the corresponding State figure. The City's population increased 28.1% during the three decades between 1970 and 2000. The following table illustrates the City's population growth relative to the population of the County and the State. Population data for 2002-2006 are as of January 1, while the census amounts for 1970, 1980, 1990 and 2000 are as of April 1.

TABLE B-1
City of Long Beach,
County of Los Angeles and State of California
Population Data

<i>Year</i>	<i>City of Long Beach</i>	<i>County of Los Angeles</i>	<i>State of California</i>
2006	490,166	10,245,572	37,172,105
2005	491,564	10,226,506	36,810,358
2004	487,100	10,103,000	36,144,000
2003	480,400	9,966,200	35,612,000
2002	473,100	9,822,600	35,049,000
2000	461,522	9,519,330	33,871,648
1990	429,321	8,863,052	29,758,213
1980	361,500	7,477,657	22,911,000
1970	358,879	7,036,980	19,971,022

Source: California State Department of Finance.

Personal Income

The following chart sets forth the yearly total effective buying income and the median household effective buying income for the City, the County and the State of California for the periods of 2002 through 2006:

TABLE B-2
City of Long Beach,
County of Los Angeles and State of California
Personal Income 2000-2004

<i>Year</i>	<i>Area</i>	<i>Total Effective Buying Income (in Thousands)</i>	<i>Median Household Effective Buying Income</i>
2006	City of Long Beach	\$ 7,875,111	\$35,493
	Los Angeles County	180,131,260	40,335
	State of California	720,803,929	44,890
2005	City of Long Beach	7,753,885	34,722
	Los Angeles County	177,575,730	39,414
	State of California	705,108,410	43,915
2004	City of Long Beach	7,436,738	33,759
	Los Angeles County	169,307,295	38,311
	State of California	674,721,020	42,924
2003	City of Long Beach	7,195,690	33,743
	Los Angeles County	162,413,790	37,983
	State of California	647,879,427	42,484
2002	City of Long Beach	8,148,871	40,086
	Los Angeles County	170,440,432	40,789
	State of California	650,521,407	43,532

Source: Claritas Incorporated.

Employment

The following table sets forth the average employment for major industry types within the City:

TABLE B-3
City of Long Beach
Average Employment by Industry
January – March 2006

<i>Industry</i>	<i>Employment</i>	<i>Percent of Total</i>
Services	75,125	44.95%
Government	26,798	16.04
Manufacturing	17,600	10.53
Retail Trade	14,487	8.67
Transportation, Warehousing, Utilities	12,389	7.41
Finance, Insurance, Real Estate	8,863	5.30
Construction and Mining	6,068	3.63
Wholesale Trade	5,726	3.43
Agriculture, Forestry, Fishing, Hunting	65	0.04
Total	<u>167,121</u>	<u>100.00%</u>

Source: State of California – Employment Development Department, Labor Market Division.

The California Employment Development Department compiles data monthly on the status of employment and unemployment in the Los Angeles-Long Beach labor market (Los Angeles County). As an integral part of the Los Angeles metropolitan area, Long Beach benefits from the wide variety of job opportunities available in neighboring communities throughout the County.

The following table sets forth labor force and non-farm employment by industry since 2002 in the City, the State and the United States:

TABLE B-4
Long Beach Labor Market
Labor Force, Employment and Unemployment Annual Average

<i>Year</i>	<i>Area</i>	<i>Civilian Labor Force</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Unemployment Rate (%)</i>
2006	Long Beach ⁽¹⁾	234,642	221,842	12,800	5.5%
	California ⁽¹⁾	17,773,825	16,916,392	857,433	4.8
	United States ⁽²⁾	151,428,000	144,427,000	7,001,000	4.6
2005	Long Beach ⁽³⁾	233,000	218,800	14,200	6.1
	California ⁽¹⁾	17,695,000	16,746,900	948,700	5.4
	United States ⁽²⁾	149,320,000	141,730,000	7,591,000	5.1
2004	Long Beach ⁽³⁾	231,300	214,000	17,300	7.5
	California ⁽³⁾	17,499,600	16,407,900	1,091,700	6.2
	United States ⁽²⁾	147,401,000	139,252,000	8,149,000	5.5
2003	Long Beach ⁽³⁾	231,200	212,700	18,500	8.0
	California ⁽³⁾	17,403,900	16,212,600	1,191,300	6.8
	United States ⁽²⁾	146,510,000	137,736,000	8,774,000	6.0
2002	Long Beach	231,100	213,100	18,000	7.8
	California ⁽³⁾	17,330,700	16,168,200	1,162,500	6.7
	United States ⁽²⁾	144,863,000	136,485,000	8,378,000	5.8

⁽¹⁾ Preliminary estimate.

⁽²⁾ U.S. Department of Labor – Bureau of Labor Statistics.

⁽³⁾ Restated prior years.

Source: State of California Employment Development Department.

Major Employers

The largest employer in the City is the Long Beach Unified School District; it employs approximately 9,064 people. The Long Beach Unified School District has 91 schools and serves approximately 93,500 students. The second largest employer in the City is The Boeing Company (“Boeing”), with facilities at the Long Beach Airport employing approximately 6,525 persons.

Other major employers in the City include government, education and health care providers, including the City, California State University (Long Beach), Long Beach Memorial Medical Center and the Veteran Affairs Medical Center.

The following table sets forth the City's major employers:

TABLE B-5
City of Long Beach
Major Employers As of September 30, 2006

	<i>Employer</i>	<i>Number of Employees</i>
1.	Long Beach Unified School District	9,064
2.	The Boeing Company	6,525
3.	California State University, Long Beach	6,007
4.	City of Long Beach	5,854
5.	Long Beach Memorial Medical Center	3,500
6.	Verizon	2,000
7.	Long Beach City College	2,000
8.	U.S. Postal Service	1,900
9.	Veterans Affairs Medical Center	1,700
10.	St. Mary's Medical Center	1,634
11.	CSU Long Beach Foundation	1,600
12.	Direct TV, Inc.	1,126
13.	Pacific Hospital of Long Beach	800
14.	The Bragg Companies	800
15.	Long Beach Transit	740

Source: City of Long Beach Unaudited Comprehensive Annual Financial Report for Fiscal Year 2005-06.

Industry

The City is an important component of the County industrial complex, the largest concentration of major industrial firms in the western United States. The aircraft/aerospace products group represents a very important single industrial category in the City. Boeing is the second largest employer in Long Beach. See "—Major Employers" above. Other important industries include petroleum and chemical production, metal fabrication and food and kindred product production.

Commercial Activity

Retail sales activity is located throughout the City, from the central business district to the updated Los Altos and Marina Pacifica "power" centers, both of which opened in 1996, and the Towne Center, a 100-acre retail development built on the site of the former Long Beach Naval Hospital, which opened in November 1998. The World Trade Center in the downtown area of the City contains more than two million square feet of office space and is an international focal point for shipping, finance and trade services.

North of the Port at the intersection of the San Diego (I-405) and Long Beach (I-710) freeways is the 55-acre Freeway Business Center, a high-technology office complex which includes Direct TV, Irvin Industries, Inc., Epson America, Inc., Mercedes Benz, Denso Sales California and Toyota. The 60-acre Long Beach Airport Business Park contains over 800,000 square feet of mid-rise office space and is the site for the Long Beach Business Park and the North Long Beach Business Center. Located in the northern part of the City, these facilities offer a combined total of more than 20.5 acres of office, commercial and industrial space near to the I-405 and I-710 Freeways, two major arteries in the Southern California freeway system. The 50-acre Kilroy Airport Center provides 800,000 square feet of office space, with an additional 250,000 square feet planned in the near future. Kilroy Realty is currently marketing Phase IV of the Kilroy Airport Center, which is expected to contain 230,000 square feet of office space within several 3 and 4-story buildings.

Several hotels are located in the City, including the Westin Long Beach, Renaissance, Hilton, Hyatt Regency Long Beach, Holiday Inn, Golden Sails Hotel, Long Beach Airport Marriott, the Queen Mary Hotel and the West Coast Long Beach Hotel. Plans for several all-suites and/or "conference" hotels in the downtown/ocean are also being constructed or formulated and some have been recently completed.

Taxable sales transactions in the City increased 6.3% between 2005 and 2006. During the period 2002 through 2006, taxable transactions increased 31.5%. The following table illustrates the City's annual volume of taxable transactions from 2002 through 2006:

TABLE B-6
City of Long Beach
Taxable 1999-2003 Transactions
(\$000's)

<i>Type of Business</i>	<i>2006</i>	<i>2005</i>	<i>2004⁽¹⁾</i>	<i>2003⁽¹⁾</i>	<i>2002⁽¹⁾</i>
Apparel Stores	\$ 152,635	\$ 152,729	\$ 142,287	\$ 134,738	\$ 128,458
General Merchandise Stores	301,672	296,269	280,571	254,007	193,295
Drug Stores	74,384	73,620	64,078	62,970	59,301
Food Stores	213,192	209,092	197,976	198,785	197,291
Packaged Liquor Stores	29,225	30,412	30,480	30,246	31,747
Eating/Drinking Places	647,695	606,028	556,316	516,576	491,646
Home Furnishings and Appliance Stores	170,494	134,569	110,771	143,272	136,963
Building Materials and Farm Implements	251,962	228,915	190,723	176,649	167,301
Auto Dealers/Auto Supplies	469,089	472,287	403,914	469,386	486,844
Service Stations	484,661	448,430	379,311	290,582	238,562
Other Retail Stores	379,436	409,750	406,217	362,766	372,299
Retail Stores Totals	<u>\$3,174,445</u>	<u>\$3,062,101</u>	<u>\$2,762,644</u>	<u>\$2,639,977</u>	<u>\$2,503,707</u>
All Other Outlets	<u>1,350,166</u>	<u>1,193,770</u>	<u>1,086,022</u>	<u>1,056,124</u>	<u>937,892</u>
Total All Outlets	<u>\$4,524,611</u>	<u>\$4,255,871</u>	<u>\$3,848,666</u>	<u>\$3,696,101</u>	<u>\$3,441,599</u>

⁽¹⁾ Restated prior year.

Source: The HDL Companies and the State of California – Board of Equalization.

Construction

The City issued building permits, valued at approximately \$343 million during Fiscal Year 2006. Of this total approximately 71% consisted of residential construction and approximately 29% consisted of non-residential construction. The City's annual permit values since Fiscal Year 2002 are set forth below:

TABLE B-7
City of Long Beach
Building Permit Valuations

<i>Type of Permit</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>
Residential					
New Single Dwelling	\$ 41,568,987	\$ 27,968,744	\$ 16,824,990	\$ 11,032,511	\$ 35,396,824
New Multi Dwelling	73,148,732	46,356,534	32,401,304	109,533,689	43,115,645
Additions/Alterations	<u>130,081,723</u>	<u>134,878,539</u>	<u>116,133,274</u>	<u>104,586,708</u>	<u>85,067,499</u>
Total Residential	\$ 244,799,442	\$ 209,203,817	\$ 165,359,568	\$ 225,152,908	\$ 163,579,968
Non-Residential					
New Commercial	\$ 3,847,432	\$ 13,384,839	\$ 9,411,641	\$ 57,229,274	\$ 77,910,384
New Industrial	166,950	2,525,000	7,550,081	5,000,355	10,326,461
Other	12,777,673	8,055,962	15,598,360	31,086,592	42,046,740
Additions/Alterations	<u>81,803,819</u>	<u>62,529,344</u>	<u>68,900,290</u>	<u>100,248,915</u>	<u>57,591,861</u>
Total Non-Residential	\$ 98,595,874	\$ 86,495,145	\$ 101,460,372	\$ 193,565,136	\$ 187,875,446
Total Valuation	<u>\$ 343,395,316</u>	<u>\$ 295,698,962</u>	<u>\$ 266,819,940</u>	<u>\$ 418,718,044</u>	<u>\$ 351,455,414</u>

Source: City of Long Beach Department of Planning and Building.

Visitor and Convention Business

Tourism has long been a significant factor in the City's economy. Boating facilities, marinas, sport fishing, shops and eight miles of public beaches attract thousands of visitors to the City each year. Other recreational facilities and attractions include the Long Beach Aquarium of the Pacific, the Queen Mary, the Community Playhouse, a municipal band and symphony orchestra, the Sports Arena, the Terrace and Center Theaters, Belmont Plaza Pool, the Long Beach Grand Prix and the Long Beach Ice Dogs professional ice hockey team. The Long Beach Museum of Art and the Museum of Latin American Art are both located within the City.

In 1994, the City approved the Queensway Bay Development Plan to create a premier waterfront attraction in Southern California, now known as Pike at Rainbow Harbor. The City is also home to Pike at Rainbow Harbor, a premier waterfront attraction in Southern California comprised of 300 acres of prime oceanfront land adjacent to the City's commercial core. It includes the Long Beach Aquarium, Rainbow Harbor, the expanded Long Beach Convention Center and up to 500,000 square feet of entertainment/retail development. The Long Beach Aquarium and Rainbow Harbor opened to the public in June 1998.

Hotel/motel occupancy tax receipts (currently computed at 12%) were approximately \$16.6 million in Fiscal Year 2006, as compared with \$15.5 million in Fiscal Year 2005, \$14.1 million in Fiscal Year 2004, \$13.1 million in Fiscal Year 2003 and \$12.4 million in Fiscal Year 2002. The transient occupancy tax revenues have increased by approximately 32.9% since Fiscal Year 2002.

The Queen Mary, a vintage ocean liner open to the public since 1971, provides the City with a unique and interesting tourist attraction. The six-deck "Living Sea Museum" is the only facility of its kind in the world. The Queen Mary features three major restaurants, three fast food service facilities and 40 specialty shops. The Queen Mary Hotel, with 365 rooms, is aboard the ship. In addition, a Russian submarine, the "Scorpion," is currently docked adjacent to the Queen Mary and is open for visitors. The Scorpion is another premier waterfront attraction complementing the popular Aquarium of the Pacific and the Queen Mary. Carnival Cruise Lines recently began operation of a Long Beach homeport for its cruises to Mexico, adjacent to the Queen Mary.

The West Coast Long Beach Hotel, located on 18.8 waterfront acres west of the Queen Mary, is a development designed to afford 85% of the rooms with ocean views. The hotel consists of 200 rooms and offers resort style amenities in close proximity to the Queen Mary and Downtown attractions.

Formula 500 cars first raced through city streets and along the shoreline during the Long Beach Grand Prix in September 1975. The race was the first to be run on city streets in this country in 50 years. The City has hosted the United States Grand Prix West, now featuring “Indy” cars, every year since 1977 in what is now commonly known as the Long Beach Grand Prix. This event attracts 200,000 visitors to the City each year.

Long Beach Convention Center

The City has fostered convention business by expanding convention facilities and encouraging private sector participation. Trade shows, conventions, athletic contests and other events are held regularly at the Long Beach Convention and Entertainment Center (the “Convention Center”), which is part of the Pike at Rainbow Harbor oceanfront development. The Convention Center was enlarged in 1994 to accommodate 318,000 square feet of exhibit space. This expansion increased the total number of conventions and meetings held at the Convention Center, which competes with convention centers in cities such as Albuquerque, San Jose, Denver and Phoenix, and larger facilities in Los Angeles, Anaheim and San Diego. Marketing of the Convention Center by the Long Beach Convention and Visitors Bureau has resulted in increased occupancy rates for hotels serving the Convention Center. Following the attacks in New York City and on the Pentagon in Washington D.C. on September 11, 2001, occupancy rates declined. However, the City expects occupancy rates to increase as the Convention Center attracts additional regional convention business.

A \$2.8 million renovation of the Convention Center was substantially completed in the fall of 2001. The renovation was completed pursuant to an agreement between the City and the Jehovah’s Witness organization, under which the Jehovah’s Witness organization supplied materials and labor for the renovation in exchange for the City’s permission to use the facility for 12.6 years. The City expended \$300,000 for permits, furniture and equipment in connection with the renovation. The following table sets forth convention and delegate attendance for the past ten years:

**TABLE B-8
City of Long Beach
Convention and Delegate Attendance**

<i>Calendar Year</i>	<i>Number of Conventions</i>	<i>Number of Delegates</i>
2006	226	446,739
2005	235	440,083
2004	218	495,302
2003	187	470,283
2002	125	405,870
2001	97	422,177
2000	127	633,000
1999	119	450,770
1998	124	442,097
1997	115	520,547

Source: Long Beach Convention and Visitors Council.

Shoreline Village

Shoreline Village, which has proven to be an integral part of Long Beach visitor offerings, continues an aggressive marketing effort. With the addition of the Yardhouse and the Village Hat Shop, Shoreline is working to provide quality retail, dining and recreation as entertainment experiences for visitors, particularly those who stay at the downtown hotels.

Downtown Long Beach

The Pine Avenue corridor has enjoyed success since the 1995 addition of such retailers as Bath and Body Works, Limited Express, Starbucks and an assortment of restaurants. Additionally, Z Gallerie opened an expanded version of their popular home furnishings store. The first stores in the newly rebuilt City Place development opened in August 2002 and now include a Nordstrom's Rack, along with several other apparel stores and several eateries. Hoteliers report that the area gives their guests a refreshing option for dining and entertainment alternatives. Pine Avenue's concentration of dining establishments confirms restaurants as the principal element of the area.

Long Beach Towne Center

In November 1998, the development of the Long Beach Towne Center was completed. It is an approximately 850,000 square foot community retail shopping center located on approximately 81 acres within the City at the southwest corner of Carson Street and the I-605 Freeway. The current operator of the Long Beach Towne Center is CREA/PPC Long Beach Towne Center PO, LLC, a Phoenix, Arizona corporation.

Pike at Rainbow Harbor Project

The \$450 million Pike at Rainbow Harbor Project (previously known as the Queensway Bay Project) developed by Developers Diversified Realty Corporation is one of the largest shoreline developments in California history. The Pike at Rainbow Harbor Project includes approximately 500,000 square feet of waterfront retail and entertainment space. The Pike at Rainbow Harbor is a joint venture of public and private investment. The development converted 300 acres of prime oceanfront property at the edge of downtown Long Beach into a major resort. The Pike at Rainbow Harbor Project includes the Aquarium of the Pacific, Shoreline Park, Rainbow Harbor, the retail portion of the Pike Project and the condominium housing portion of the Pike Project.

The Rainbow Harbor, named after Long Beach's famous Rainbow Pier from the early part of the twentieth century, offers visitors a wide variety of dinner cruises, fishing and diving charters, and water taxis that shuttle between the downtown entertainment district and the historic Queen Mary ocean liner. The Aquarium of the Pacific is located on a five-acre site within Rainbow Harbor. The Aquarium site is 156,735 square feet and contains exhibits with more than 12,000 ocean animals, representing over 550 species. The Aquarium also contains a theater, learning center, an indoor/outdoor restaurant and a large gift shop.

Petroleum Production

The Wilmington Oil Field, which is one of the largest oil fields in the United States, traverses Long Beach. Since 1939, the City has developed and managed the oil operations on its Upland and Tidelands properties. The Upland properties are owned by the City and the revenues can be used for general-purpose activities. The Tidelands properties are owned by the City in trust for the State. The revenues, by legislation, are shared between the City, State, Occidental Petroleum Corp., and Tidelands Oil Production Company and the City's share can only be used in support of tidelands purposes.

Operation of the Wilmington Oil Field is managed by two contractors, Tidelands Oil Production Company and Occidental Petroleum Corp.

The City administers all City oil operations, contracts, leases and agreements and directs all subsidence control operations through its Department of Oil Properties. Recent increases in the price of oil have increased the amount of revenues transferred to the Tidelands Operating Fund and the General Fund.

Transportation

Industry, business and residents all benefit from the excellent transportation network available in the City. Water, rail, air and highway facilities are highly developed throughout the City.

The County's 22-mile light rail line opened July 1, 1990, connecting the central business districts of Long Beach and Los Angeles. Ridership on the "Metro Blue Line" currently averages approximately 66,000 riders per average weekday.

The San Diego Freeway (I-405), the San Gabriel River Freeway (I-605), the Long Beach Freeway (I-710) and the Riverside Freeway (I-91) all traverse the City, as do State Highways 1, 19, 22 and 214. This highway grid places both the City of Los Angeles and Los Angeles International Airport within a 30-minute drive.

The Long Beach Public Transportation Company was incorporated in 1963 as a nonprofit corporation with all capital shares held by the City. Since that time, the company has provided transit service to the City and surrounding areas. The company's operations are locally supported through the Transportation Fund of the City. Interurban bus service is provided by Long Beach Transit, Los Angeles County Metropolitan Transportation Authority and Orange County Regional Transportation District.

Rail transportation to Long Beach is provided by two major transcontinental railroads: the Burlington Northern Santa Fe Railroad Company and the Union Pacific Railroad Company. Reciprocal switching is available between the two lines.

Port of Long Beach

The Port is owned by the City and operated by the Harbor Department, which was created by amendment to the City Charter in 1931. Functioning primarily as a landlord, the Harbor Department leases or assigns most docks, wharves, transit sheds, and terminals to shipping or terminal companies and other private firms for actual operation of these facilities. This Port is one of the most versatile shipping installations in the nation.

The Port covers 11.9 square miles, of which 7.1 square miles is water, and includes all harbor facilities of the City. The Port has 22 miles of waterfront with 65 deep water cargo berths. Container terminals occupy 1,356 acres, auto terminals occupy 182 acres, breakbulk and general cargo occupy 108 acres, dry bulk terminals occupy 100 acres, and petroleum and liquid bulk occupy 52 acres. The Port has seven container terminals with 70 cranes (owned by the Harbor Department and tenants) and three container freight stations. Five container terminals are served by on-dock rail yards. Additional cargo handling facilities include five transit sheds and 12 warehouses. Transit sheds are of concrete and steel construction. Wharves are constructed of reinforced concrete supported by reinforced concrete pilings or sheet pile bulkhead. Wharf aprons at all transit shed berths average 50 feet in width. Rail tracks serve all major marine facilities. In total, the Port owns 82 miles of rail trackage. Current Harbor Department plans envision enlarging and consolidating several of the container terminals due to the demand for larger facilities.

The Port is the first Southern California port to offer dockside rail. Dockside rail helps to move cargo between ships and trains for efficient distribution to markets east of the Rocky Mountains, and removes unnecessary trucks from area freeways.

The Port is self-sufficient. Under the State's Tidelands laws, the Port must earn its revenue from activities related to commerce, navigation, recreation and fisheries, and must spend its money only on the same. The Port receives no tax revenues for its operations or expansions. Although it receives no tax support, the Port generates billions of dollars in revenue for private businesses and government entities, including the City.

In addition to containers, the harbor complex handles crude and refined petroleum products, dry bulk such as coke, and cement; automobiles, lumber, paper and fruit; steel and scrap metal. A free trade zone, Foreign Trade Zone #50, is also operated by the Port.

In 1989, the Port, the Port of Los Angeles (collectively, the "Ports"), the City and the City of Los Angeles formed the Alameda Corridor Joint Powers Authority ("ACTA") to develop and operate a 20-mile long, multiple-track consolidated rail transportation corridor (the "Alameda Corridor") along Alameda Street between the railroad freight yards located in the City of Los Angeles and the Ports in order to efficiently deal with the anticipated increase in volume of international freight, cargo and other goods to and from the Ports. Construction was completed and the Alameda Corridor opened for service in April 2002, at a cost of \$2.4 billion. The Alameda Corridor consolidates 90 miles of existing rail lines (4 current rail lines will be diverted onto 1 line) into an integrated system separated from nonrail traffic.

Long Beach Airport

The City owns and operates the Long Beach Airport, which has five runways varying from 4,200 to 10,000 feet in length. Pursuant to a court-ordered settlement reached in 1989, the current daily flight limits are 41 commercial jet airline and 25 commuter landings and takeoffs ("slots"). Included in the 41 aircraft slots are five cargo flights, operated by Airborne Express, Fed Ex and United Parcel Service. Commercial airline service is provided by Alaska Airlines, American Airlines, America West Airlines, and jetBlue Airways ("jetBlue").

The Long Beach Airport is jetBlue's west coast hub. jetBlue operates 22 of the 41 commercial slots at Long Beach, with direct service to New York City, Washington, D.C., Boston, Ft. Lauderdale, Salt Lake City, Oakland and Las Vegas.

The movement of aircraft in and out of Long Beach Airport is controlled by the Federal Aviation Administration (the "FAA"). The FAA operates the airport's tower and navigation facilities. Navigation aids at the airport include Medium Intensity Approach Lights, Runway Visual Range, Direction Finding, Instrument Landing System, VHF, UHF and other radio communications equipment.

Long Beach Airport is an important aircraft manufacturing and completion center, proudly hosting two industry giants, The Boeing Company and Gulfstream Aerospace Corporation. Between these two firms, thousands of jobs help fuel the local economy. Long Beach Airport is landlord to almost 150 other businesses, mainly in the aviation and aerospace industry.

The following table sets forth operations at the Long Beach Airport during the period 1997 through 2006.

TABLE B-9
Long Beach Airport Traffic

<i>Fiscal Year</i>	<i>Passengers</i>	<i>Cargo (lbs.)</i>
2006	2,815,015 ⁽¹⁾	102,303,000
2005	3,027,871 ⁽²⁾	108,470,000
2004	2,941,971 ⁽³⁾	113,419,000
2003	2,757,251 ⁽⁴⁾	115,303,000
2002	1,018,994 ⁽⁵⁾	112,335,000
2001	558,118 ⁽⁶⁾	114,276,000
2000	659,455 ⁽⁶⁾	99,944,000
1999	912,475	89,552,000
1998	612,282	77,315,000
1997	542,312	66,036,000

⁽¹⁾ In fiscal year 2006, forty-one air carrier flight slots were allocated: thirty-seven flight slots from four commercial airlines – Alaska, America West, American Airlines and JetBlue, and four flight slots from cargo carriers – Airborne Express, Federal Express and United Parcel Service. In addition, America West operated one commuter flight and Delta/SkyWest operated four commuter flight slots, out of the approved twenty-five commuter carrier flight slots. American Airlines left the Long Beach Airport on April 2, 2006.

⁽²⁾ All forty-one air carrier flight slots were used: thirty-six flight slots from four commercial airlines – Alaska, America West, American and JetBlue; and five slots from cargo carriers – Airborne Express, Federal Express and United Parcel Service. In addition, America West operated three commuter flights, out of the approved twenty-five commuter carrier flight slots.

⁽³⁾ All forty-one carrier slots used: thirty-six flights from four commercial airlines – JetBlue, American, America West and Alaska; and five slots from cargo carriers – Airborne Express, Federal Express and United Parcel Service.

⁽⁴⁾ The total number of daily flights for JetBlue, American and America West airlines increased from thirty-two to thirty-five. Horizon started operations in October 2002 with three commuter flights.

⁽⁵⁾ The total number of daily flights for JetBlue, American and Horizon airlines increased from eleven to thirty-two.

⁽⁶⁾ Commercial passenger count decreased due to cessation of service by Winair Airlines.

Source: City of Long Beach Unaudited Comprehensive Annual Financial Report for Fiscal Year 2005-06.

Utilities

In 1931, a Charter amendment was passed which created the Board of Water Commissioners and authorized the City to join the Metropolitan Water District of Southern California. These decisions sought to ensure an adequate water supply for the City. Water and sewer services are provided by the Long Beach Water Department.

There are a number of utilities service providers operating in the City. Local telephone service is provided by Verizon and SBC. Electricity is distributed to the residents, organizations and businesses of Long Beach by Edison International. Electricity can be purchased from a number of electricity providers. Natural gas is provided by the Energy Department.

In November 2000, the voters of the City approved Measure J to reduce the City’s utility users tax rate by one percentage point per year, from 10% to 5%, during a five-year period. The current utility users tax rate is 5% for all utilities.

Education

The City is served by the Long Beach Unified School District, which provides primary and secondary educational instruction for approximately 93,500 students through the operation of 54 elementary schools, 23 junior high schools, 14 high schools, including one adult school. There are additionally four charter schools. Post-secondary education is available at Long Beach City College, a tax-supported two-year institution administered by the Long Beach Community College District. In addition to the lower division college program, extensive adult education and trade school facilities are offered at Long Beach City College. Current

total enrollment exceeds 26,000. California State University – Long Beach is located on a 320-acre site in the eastern portion of the City on land donated by the City. Opened in 1949 as Los Angeles-Orange County State College, the institution has been given university status and has a current enrollment of approximately 33,000. The University’s distinguished educational program offers various undergraduate and graduate degree programs. Enrollment in the educational system serving the City and its residents for the past 5 years is set forth below:

**TABLE B-10
City of Long Beach
Educational Enrollment**

<i>Year</i>	<i>Long Beach Unified School District</i>	<i>Long Beach City College⁽¹⁾</i>	<i>California State University (Long Beach)⁽¹⁾</i>
2006	93,589	26,308	33,344
2005	96,319	25,722	32,756
2004	97,560	28,682	33,363
2003	97,370	32,411	33,745
2002	96,488	29,444	32,693

⁽¹⁾ Average enrollment per semester.

Source: Data furnished by each institution, respectively

The City also serves as the permanent headquarters for the 23-campus California State University and College System. The California University and College System’s headquarters is located on a 6.4-acre site in the western portion of the City on land donated by the City. California State University Long Beach continues to be one of the most popular institutions in California. It has built a successful student recruitment program that continues to attract high-achieving students, while maintaining their historical commitment to access.

Community Facilities

Long Beach has four major community based hospitals and a Veterans Affairs Medical Center. The City operates the Main Library in the downtown Civic Center and eleven other branch libraries throughout the City. Four newspapers, three radio stations and a cable television system are also located in the City.

The City’s Parks, Recreation and Marine Department oversees the operation and maintenance of all Long Beach public recreational facilities, including approximately 25 community centers, approximately 55 sports fields for soccer, softball, baseball and flag football, approximately 50 park playgrounds, approximately 70 tennis courts and approximately 5 golf courses. The Department also administers the Municipal Band, Leeway Sailing Center, El Dorado Nature Center, Long Beach Museum of Art, Rancho Los Cerritos and Rancho Los Alamitos, the Belmont Veterans Memorial Pier, Rainbow Harbor and Rainbow Lagoon. The City’s Parks, Recreation and Marine Department maintains approximately 100 parks, devoted to open space and recreation, and six miles of beaches. Additionally, the Department operates three marinas with a combined approximate 3,800 boat slips.

The Department provides free and fee-based recreational programs and leisure opportunities, both self-directed and organized, for people of all ages and cultures. Youth programs include free youth sports for ages 5 to 18 serving nearly 10,000 participants annually, summer and vacation day camps, 800 recreational and educational classes, sailing and aquatics instruction, teen center activities, skateboarding opportunities, and supervised after-school and weekend activities at parks, schools, and mobile recreation sites.

Adult recreation opportunities include sports leagues, tennis and golf facilities and instruction, and more than 2,000 recreational and self-improvement classes annually. Recreation programs and social services for seniors are offered at community centers. Family recreation opportunities include Long Beach Municipal

Band concerts, cultural arts programs, environmental programs, citywide and neighborhood special events, boating facilities, as well as general park and beach use.

The Long Beach Convention and Entertainment Center stages productions of the Long Beach Symphony Association, the Long Beach Grand Opera, the Long Beach Symphony Chorus, the Theater Festival and the Community Concert Association.

APPENDIX C
SUMMARY OF THE FISCAL AGENT AGREEMENT

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE CITY

This Continuing Disclosure Agreement dated as of July 1, 2007 (the "City Continuing Disclosure Agreement") is executed and delivered by the City of Long Beach (the "Issuer") and NBS Government Finance Group as dissemination agent (the "Dissemination Agent"), in connection with the issuance and delivery by the Issuer of its \$_____ Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park - Commercial Area) Special Tax Bonds, Series 2007-A (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of July 1, 2007 (the "Fiscal Agent Agreement"), by and between the Issuer and The Bank of New York Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The Issuer, the Fiscal Agent and the Dissemination Agent covenant as follows:

SECTION 1. Purpose of the City Continuing Disclosure Agreement. This City Continuing Disclosure Agreement is being executed and delivered by the Issuer, the Fiscal Agent and the Dissemination Agent, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this City Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this City Continuing Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

"Central Post Office" means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this City Continuing Disclosure Agreement.

"Disclosure Representative" shall mean the City Manager of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean, initially, NBS Government Finance Group, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this City Continuing Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purpose of the Rule.

"Participating Underwriter" shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated, whose address for purposes of this Agreement is 101 California Street, Suite 1225, San Francisco, California 94111.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this City Continuing Disclosure Agreement, there is no State Repository.

“Special Taxes” shall mean the annual special taxes levied on property within the District as described in the Fiscal Agent Agreement.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than 180 days after the end of the Issuer’s Fiscal Year (which currently ends on September 30), commencing with the report due on March 28, 2008, provide to each Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this City Continuing Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this City Continuing Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months. The Issuer’s Fiscal Year is currently effective from October 1 to the immediately succeeding September 30 of the following year. The Issuer will promptly notify each Repository or the Municipal Securities Rulemaking Board and, in either case, the Fiscal Agent, the Participating Underwriter and the Dissemination Agent of a change in the Fiscal Year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Issuer shall provide the Annual Report to the Dissemination Agent and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Fiscal Agent has not received a copy of the Annual Report, the Fiscal Agent shall contact the Issuer and the Dissemination Agent to determine if the Issuer is in compliance with subsection (a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Fiscal Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and Fiscal Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository, in substantially the form attached as Exhibit A, with a copy to the Participating Underwriter.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer and (if the Dissemination Agent is not the Fiscal Agent) the Fiscal Agent certifying that the Annual Report has been provided pursuant to this City Continuing Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(e) Notwithstanding any other provision of this City Continuing Disclosure Agreement, any of the required filings hereunder may be made through a Central Post Office.

SECTION 4. Content of Annual Report. The Issuer's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the Issuer for the most recent Fiscal Year of the Issuer then ended. If the Issuer prepares audited financial statement and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Fiscal Agent Agreement. Audited financial statements, if prepared by the Issuer, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to each Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Fiscal Agent Agreement as of the September 2 preceding the filing of the Annual Report;

(iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report;

(iv) a description of any parcels for which the Special Taxes have been prepaid in the Fiscal Year for which the Annual Report is being prepared;

(v) an update of the estimated assessed value-to-lien ratios within the District substantially in the form of Table 4 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year; provided, however, that all parcels which constitute Developed Property may be grouped into two categories with one for office and one for industrial, and provided, further, that, once all parcels within the District are developed or have a value-to-lien ratio of not less than 10 to 1, only the assessed value for the District as a whole will be provided;

(vi) a list of all taxpayers within the District which own property in the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes;

(vii) any event known to the Issuer which reduces square footage permitted to be constructed within the District or which results in a moratorium on future building within the District;

(viii) the status of any foreclosure actions being pursued by the Issuer with respect to delinquent Special Taxes;

(ix) the total Special Taxes levied and the total Special Taxes collected for the prior fiscal year and the total Special Taxes that remain unpaid for each prior fiscal year in which Special Taxes were levied; and

(x) any information not already included under (i) through (x) above that the Issuer is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) principal and interest payment delinquencies.

(2) an event of default under the Fiscal Agent Agreement other than as described in (1) above.

(3) unscheduled draws on the Reserve Fund reflecting financial difficulties.

(4) unscheduled draws on any credit enhancements securing the Bonds reflecting financial difficulties.

(5) any change in the provider of any letter of credit or any municipal bond insurance policy securing the Bonds or any failure by the providers of such letters of credit or municipal bond insurance policies to perform on the letter of credit or municipal bond insurance policy.

(6) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.

(7) modifications to the rights of Bond Owners.

(8) unscheduled redemption of any Bond.

(9) defeasances.

(10) any release, substitution, or sale of property securing repayment of the Bonds.

(11) rating changes.

(b) The Fiscal Agent shall, promptly upon the obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Issuer pursuant to the Fiscal Agent Agreement, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this City Continuing Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Fiscal Agent with regular responsibility for the administration of matters related to the Fiscal Agent Agreement.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Fiscal Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with (i) the Municipal Securities Rulemaking Board or (ii) each National Repository, and in either case, to each State Repository, with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Fiscal Agent Agreement. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) The Issuer hereby agrees that the undertaking set forth in this City Continuing Disclosure Agreement is the responsibility of the Issuer and that the Fiscal Agent or the Dissemination Agent shall not be responsible for determining whether the Issuer’s instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the Issuer, the Fiscal Agent and the Dissemination Agent under this City Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the City Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Fiscal Agent shall be the Dissemination Agent. The Dissemination Agent may resign by providing (i) thirty days written notice to the Issuer and the Fiscal Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment. (a) This City Continuing Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this City Continuing Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this City Continuing Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Fiscal Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Fiscal Agent, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to each Repository.

(b) This City Continuing Disclosure Agreement may be amended, by written agreement of the parties, upon obtaining consent of Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of the Owners of the Bonds, provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied.

(c) To the extent any amendment to this City Continuing Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this City Continuing Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this City Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this City Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this City Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this City Continuing Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this City Continuing Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this City Continuing Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this City Continuing Disclosure Agreement. A default under this City Continuing Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this City Continuing City

Continuing Disclosure Agreement in the event of any failure of the Issuer or the Fiscal Agent or the Dissemination Agent to comply with this City Continuing Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. Article VII of the Fiscal Agent Agreement is hereby made applicable to this City Continuing Disclosure Agreement as if this City Continuing Disclosure Agreement were (solely for this purpose) contained in the Fiscal Agent Agreement and the Dissemination Agent and the Fiscal Agent shall be entitled to the same protections, limitations from liability and indemnification hereunder as are afforded the Fiscal Agent thereunder. The Dissemination Agent and the Fiscal Agent shall have only such duties as are specifically set forth in this City Continuing Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Fiscal Agent and their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Fiscal Agent's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Fiscal Agent shall have no duty or obligation to review any information provided to them hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and Fiscal Agent and payment of the Bonds. No person shall have any right to commence any action against the Fiscal Agent or the Dissemination Agent seeking any remedy other than to compel specific performance of this City Continuing Disclosure Agreement. The Dissemination Agent and the Fiscal Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this City Continuing Disclosure Agreement.

SECTION 12. Beneficiaries. This City Continuing Disclosure Agreement shall inure solely to the benefit of the Issuer, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative:	City Manager City of Long Beach 333 West Ocean Boulevard, 6 th Floor Long Beach, California 90802
Dissemination Agent:	NBS Government Finance Group 32605 Highway 79 South, Suite 100 Temecula, California 92592
Fiscal Agent:	The Bank of New York Trust Company, N.A. 700 South Flower Street, Suite 500 Los Angeles, California 90017
Underwriter:	Merrill Lynch & Co. 101 California Street, Suite 1225 San Francisco, California 94111

SECTION 14. Counterparts. This City Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CITY OF LONG BEACH

By: _____
City Manager

NBS GOVERNMENT FINANCE GROUP

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Long Beach for and on behalf of City of Long Beach Community Facilities District No. 2007-1 (Douglas Park - Commercial Area)

Name of Bond Issue: Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park - Commercial Area) California Special Tax Bonds, Series 2007-A

Date of Issuance: _____, 2007

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the City Continuing Disclosure Agreement, dated as of July 1, 2007, by and between the City and NBS Government Finance Group, as dissemination agent. [The City anticipates that the Annual Report will be filed by _____.]

Dated: _____

NBS Government Finance Group, as Dissemination Agent

cc: City of Long Beach

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

July __, 2007

City Council
City of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802

Re: \$_____ aggregate principal amount Improvement Area A of the City of Long Beach
Community Facilities District No. 2007-1 (Douglas Park - Commercial Area) Special Tax
Bonds, Series 2007-A

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Long Beach, California (the "City") of its \$_____ Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area) Special Tax Bonds, Series 2007-A (the "Bonds") pursuant to the Long Beach Special Tax Financing Improvement Law (constituting Sections 3.52.511 et seq., of the Long Beach Municipal Code) (the "Law"), a Fiscal Agent Agreement, dated as of July 1, 2007 (the "Fiscal Agent Agreement"), by and between the City, for and on behalf of Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area), and The Bank of New York Trust Company, N.A., as fiscal agent, and Resolution No. ____ of the City Council adopted on June 19, 2007 (the "Resolution"). We have examined the Law and such certified proceedings and other documents as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is a charter city and municipal corporation, duly organized and validly existing under the laws of the State of California, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein and issue the Bonds.
2. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City in accordance with its terms.
3. Pursuant to the Law, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement, on a parity with any Parity Bonds that may be issued in accordance with, and as such term is defined in, the Fiscal Agent Agreement.
5. Subject to the City's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal

Revenue Code of 1986, as amended (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the City to comply with one or more of such covenants could cause interest on the Bonds to not be excludable from gross income under section 103 of the Code for the federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds 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 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Bonds 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 District or the Trustee, on payable 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 Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, 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 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

APPENDIX G
APPRAISAL REPORT

APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

This Continuing Disclosure Agreement (the "Developer Continuing Disclosure Agreement"), dated as of July 1, 2007 is executed and delivered by _____, a _____ (the "Developer"), and The Bank of New York Trust Company, N.A., as fiscal agent (the "Fiscal Agent") and as dissemination agent (the "Dissemination Agent"), in connection with the issuance by Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park - Commercial Area) (the "District") of \$_____ aggregate principal amount Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park - Commercial Area) Special Tax Bonds, Series 2007-A (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of July 1, 2007 by and between the City of Long Beach for and on behalf of the District and the Fiscal Agent (the "Fiscal Agent Agreement"). The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Developer Continuing Disclosure Agreement. This Developer Continuing Disclosure Agreement is being executed and delivered by the Developer for the benefit of the Bondowners and Beneficial Owners and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). This Developer Continuing Disclosure Agreement does not address additional undertakings, if any, by or with respect to persons other than the Developer who may be considered an obligated person for purposes of the Rule, which additional undertakings, if any, may be required for the Participating Underwriter to comply with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Developer Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Affiliate" shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, or (c) each of such Person's executive officers, directors, joint venturers and general partners; *provided, however*, that in no case shall the District be deemed to be an Affiliate of the Developer for purposes of this Developer Continuing Disclosure Agreement. For the purpose of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Central Post Office" shall mean the Disclosure USA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Developer Continuing Disclosure Agreement.

"City" shall mean the City of Long Beach, California.

"Dissemination Agent" shall mean The Bank of New York Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

"District" shall mean Community Facilities District No. 2007-1 (Douglas Park - Commercial Area).

"Equity Securities" of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

"Fiscal Year" shall mean the period beginning on January 1 of each year and ending on the next succeeding December 31.

"Government Authority" shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Developer Continuing Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" shall mean the Official Statement, dated _____, 2007, relating to the Bonds.

"Participating Underwriter" shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated, the original underwriter of the Bonds, whose address for purposes of this Developer Continuing Disclosure Agreement is 101 California Street, Suite 1225, San Francisco, California 94111.

"Person" shall mean any natural person, corporation, limited liability company, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Semi-Annual Report" shall mean any Semi-Annual Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Developer Continuing Disclosure Agreement.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designed by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Developer Continuing Disclosure Agreement, there is no State Repository.

SECTION 3. Provision of Semi-Annual Reports.

(a) The Developer shall, or shall cause the Dissemination Agent to, not later than March 31 and September 30 of each year, commencing September 30, 2007, provide to each Repository, the District, the Participating Underwriter, a Semi-Annual Report which is consistent with the requirements of Section 4 of this Developer Continuing Disclosure Agreement. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Developer Continuing Disclosure Agreement provided that the audited financial

statements (which shall only be required for the Semi-Annual Report due not later than March 31 of each year), if any, of the Developer and/or its members may be submitted separately from the balance of the Semi-Annual Report due not later than March 31 of each year and later than the date required for the filing of the Semi-Annual Report due not later than March 31 of each year if they are not available by that date.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semi-Annual Report to Repositories, the Developer shall provide the Semi-Annual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semi-Annual Report and the date which the Semi-Annual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semi-Annual Report or notification as described in the preceding sentence, the Dissemination Agent shall contact the Developer to determine if the Developer is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to provide a Semi-Annual Report to Repositories by the date required in subsection (a) or to verify that a Semi-Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Semi-Annual Report the name and address of each National Repository and the State Repository, if any;

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Developer, the Participating Underwriter, and the District certifying that the Semi-Annual Report has been provided pursuant to this Developer Continuing Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided; and

(iii) to the extent the Semi-Annual Report has been furnished to it, file the Semi-Annual Report with each Repository, and provide copies of the Semi-Annual Report to the District and the Participating Underwriter as required under subsection (a) of this section.

(e) Notwithstanding any other provision of this Developer Continuing Disclosure Agreement, the Developer and the Dissemination Agent reserve the right to make any of the aforementioned filings through the Central Post Office instead of directly with each Repository.

SECTION 4. Content of Semi-Annual Report. The Developer's Semi-Annual Report shall contain or include by reference the information which is available within 60 days prior to the Semi-Annual Report date, relating to the following:

- a. An update to the section in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENTS" and a discussion of the sources of funds to finance development relating such owner's property within the District, and whether any material defaults exist under any loan arrangement related to such financing.
- b. An update on the status of construction of the public improvements to be constructed with the proceeds of the Bonds, which shall include an update of Table 1 in the Official Statement;
- c. A summary of development activity for property owned by the Developer and its members within the District, including the number of parcels for which building permits have been issued, the number of buildings for which certificates of occupancy have been issued, the acreage of parcels for which land sales by the Developer and its members have closed,

including the name of the purchaser, the square footage of buildings leased and the square footage of buildings sold to end users.

- d. Status of any material governmentally-imposed preconditions for commencement or continuation of development of the undeveloped parcels within the District owned by the Developer and its members and which is known to the Developer.
- e. Status of any material legislative, administrative and judicial challenges known to the Developer affecting the construction of the intract improvements and units in the District (the "Developer Improvements").
- f. Any material amendments to land use entitlements for the property owned by the Developer and its members within the District.
- g. In the Semi-Annual Report due not later than March 31 of each year only, unaudited financial statements of the Developer and/or its members and, if prepared, audited financial statements of the Developer and/or its members for its most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to private entities from time to time by the Financial Accounting Standards Board. If the Developer and/or its members have audited financial statements prepared and the audited financial statements are not available by the time the Semi-Annual Report is required to be filed pursuant to Section 3(a), the Semi-Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements for the preceding year, and the audited financial statements shall be filed in the same manner as the Semi-Annual Report when they become available. The Developer and its members need only provide audited or unaudited data once per year in the Semi-Annual Report due not later than March 31 of each year.
- h. The filing of any lawsuit against the Developer and its members or otherwise known to the Developer which will materially adversely affect the completion of any development being undertaken by the Developer within the District, or litigation against the Developer where service of process has been accomplished, which would materially adversely affect the financial condition of the Developer or its members that own property within the District but only to the extent that it will materially adversely affect development in the District.
- i. Payment default by the Developer and its members on any loan made to the Developer and its members and related development in the District (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan.

Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Developer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c):

- 1. Failure to pay prior to delinquency any real property taxes, special taxes or assessments (including any assessment installment) levied within the District on a parcel owned by the Developer or any of its members;

2. A payment default by the Developer or its members on any loan secured by property within the District owned by the Developer or its members which is beyond any applicable cure period in such loan;

3. The filing of any proceedings against the Developer or its members, in which the Developer or its members that own property within the District may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts; and

4. A sale or transfer of a majority interest in the property in the District from the Developer and/or its members to an entity that is not the Developer and/or its members.

(b) Whenever the Developer obtain knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Developer determine that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall promptly file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Municipal Securities Rulemaking Board, the Central Post Office and each State Repository, with a copy to the District and the Participating Underwriter.

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Developer Continuing Disclosure Agreement shall terminate upon the earliest occurrence of any of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds,

(b) if as of the date for filing the Semi-Annual Report the Developer and its members, collectively, own property within the District which is responsible for less than twenty percent (20%) of the Special Taxes levied in the Fiscal Year for which the Semi-Annual Report is being prepared,

(c) at such time as certificates of occupancy are issued for all buildings proposed to be constructed on the property owned by the Developer within the District under the development plan as described in the Official Statement (as that development plan may have been amended by any Semi-Annual Report filed under this Developer Continuing Disclosure Agreement).

(d) upon the delivery by such Developer to the District and the Participating Underwriter of an opinion of nationally recognized bond counsel to the effect that the information required by this Developer Continuing Disclosure Agreement is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by such Developer or a private letter ruling obtained by a similar entity to such Developer. If such termination occurs prior to the final maturity of the Bonds, such Developer shall give notice of such termination in the same manner as for a Semi-Annual Report hereunder.

SECTION 7. Dissemination Agent. The Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Developer Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not a Developer, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Developer pursuant to this Developer Continuing Disclosure Agreement. The Developer has initially appointed The Bank of New York Trust Company, N.A. as the Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Developer Continuing Disclosure Agreement, the Developer may amend this Developer Continuing Disclosure Agreement, and any provision of this Developer Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) This Developer Continuing Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel addressed to the District, the Fiscal Agent and the Participating Underwriter, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Fiscal Agent, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(d) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) and (c) above.

In the event of any amendment or waiver of a provision of this Developer Continuing Disclosure Agreement, the Developer shall describe such amendment in the next Semi-Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Developer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given to the Municipal Securities Rulemaking Board, the State Repository, if any, and the Repositories, and (ii) the Semi-Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison of financial data described in clause (ii) of the preceding sentence shall be provided at the time financial statements, if any, are filed under Section 4(g) hereof.

SECTION 9. Additional Information. Nothing in this Developer Continuing Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Developer Continuing Disclosure Agreement or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Developer Continuing Disclosure Agreement. If a Developer chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Developer Continuing Disclosure Agreement, such Developer shall have no obligation under this Developer Continuing Disclosure Agreement to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Developer or Dissemination Agent to comply with any provision of this Developer Continuing Disclosure Agreement, any Participating Underwriter or any Bondowner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Developer Continuing Disclosure Agreement. A default under this Developer Continuing Disclosure Agreement shall not be deemed an Event of Default

under the Fiscal Agent Agreement, and the sole remedy under this Developer Continuing Disclosure Agreement in the event of any failure of the Developer or Dissemination Agent to comply with this Developer Continuing Disclosure Agreement shall be an action to compel specific performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Developer Continuing Disclosure Agreement and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (the “Indemnified Parties”), harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees) of defending against any claim of liability, but excluding liabilities due to any Indemnified Party’s negligence or willful misconduct. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Developer Continuing Disclosure Agreement.

The Indemnified Parties will not, without the Developer’s prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Developer, its members and their controlling persons from all liability arising out of such claim, action or proceedings. If a claim, action or proceeding is settled with the consent of the Developer or if there is a final judgment (other than a stipulated final judgment without the approval of the Developer) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Developer, the Developer agree to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 12. Reporting Obligation of Developer’s Transferees. The Developer shall, in connection with any sale or transfer of ownership of land within the District, other than to its members, which will result in the transferee (which term shall include any successors and assigns of such Developer) and the transferee’s Affiliates, if applicable, collectively becoming responsible for the payment of more than 20 percent of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, cause such transferee and/or any Affiliate of the transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Developer Continuing Disclosure Agreement, whereby such transferee and/or any such Affiliate agrees to be bound by the obligations under such disclosure agreement.

SECTION 13. Developer as Independent Contractor. In performing under this Developer Continuing Disclosure Agreement, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

SECTION 14. Notices. Notices required by this Developer Continuing Disclosure Agreement shall be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing:

Dissemination Agent:	The Bank of New York Trust Company, N.A. 700 South Flower Street, Suite 500 Los Angeles, CA 90017 Attention: Corporate Trust
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Developer: McDonnell Douglas Corporation
c/o Boeing Realty Corporation
4501 East Conant Street, Building 851
M/C D851 0097
Long Beach, California 90808

Douglas Park 1-2, LLC
c/o REEFF America LLC
101 California Street, 26th Floor
San Francisco, California 94111

District : City of Long Beach
300 East Chapman Avenue
Long Beach, CA 92866
Attention: City Manager
Re: Community Facilities District No. 2007-1 (Douglas Park -
Commercial Area) Special Tax Bonds, Series 2007-A

Participating Underwriter: Merrill Lynch, Pierce, Fenner & Smith Incorporated
101 California Street, Suite 1225
San Francisco, California 94111

SECTION 15. Beneficiaries. This Developer Continuing Disclosure Agreement shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 16. Counterparts. This Developer Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

[DEVELOPER]

By: _____
Its: Authorized Officer

THE BANK OF NEW YORK TRUST COMPANY, N.A.

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE SEMI-ANNUAL REPORT

Name of the Issuer: Community Facilities District No. 2007-1 (Douglas Park - Commercial Area)
City of Long Beach, California

Name of Bond Issue: City of Long Beach
Community Facilities District No. 2007-1
(Douglas Park - Commercial Area) Special Tax Bonds, Series 2007-A

Date of Issuance: _____, 2007

NOTICE IS HEREBY GIVEN that _____ has not provided a Semi-Annual Report with respect to the above-named Bonds as required by the Developer Continuing Disclosure Agreement. [_____ anticipates that such Semi-Annual Report will be filed not later than _____, _____.]

Dated: _____

THE BANK OF NEW YORK TRUST COMPANY, N.A.

By: _____

cc: City of Long Beach, California
Merrill Lynch, Pierce, Fenner & Smith Incorporated

APPENDIX I
MARKET ABSORPTION STUDY