



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802 • (562) 570-6845 • Fax (562) 570-5836

July 23, 2002

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HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach  
California

**SUBJECT: Resolution Authorizing the Issuance of City of Long Beach Taxable Pension Obligation Refunding Bonds and Approving Documents and Authorizing Other Related Actions (Citywide)**

### DISCUSSION

On March 22, 1994, the City Council authorized the issuance of Taxable Pension Obligation Bonds (POB). The City issued the \$108.6 million POB transaction in 1995 in order to finance its existing retirement obligation with the California Public Employees' Retirement System (PERS). The obligation to PERS arose from a projected unfunded liability, which was accruing "negative" interest at the then PERS actuarial earnings rate of approximately 8.5 percent.

The POBs were issued at an average 7.1 percent interest rate and were projected to save the City \$2 million to \$3 million per year in reduced PERS costs. Moreover, PERS was able to invest the net proceeds at very favorable market rates, which resulted in the "superfunding" of the City's PERS accounts by Fiscal Year (FY) 98. "Superfunding" means that the actual amount of assets the City had on deposit in its PERS accounts exceeded the amount necessary to pay existing employees' retirement benefits through their life expectancy at benefit levels in effect at that time. As a result, in FY 99 the City ceased making its annual PERS contributions, and the City no longer had to fund out of its budget for the annual \$22 million payment to PERS for Miscellaneous employees. The 1995 POBs did not cover Safety employees, since that group of employees had no unfunded liability. Nonetheless, the tremendous stock market gains earned by PERS resulted in the Safety accounts also achieving superfunded status at an annual savings to the budget of \$15 million.

The City's taxable fixed-rate POBs have an ascending annual debt payment that follows the PERS amortization schedule on the original unfunded liability. The debt payments escalate under that existing amortization from \$7.4 million in FY 96 to \$18.2 million in FY 11.

The remaining debt payments are as follows:

Fiscal Year	General Fund	Non-General Fund	Total
03	\$ 7,225,073	\$ 4,492,691	\$ 11,717,764
04	7,638,288	4,749,636	12,387,925
05	8,071,833	5,019,223	13,091,056
06	8,527,488	5,302,558	13,830,046
07	9,010,465	5,602,883	14,613,348
08	9,514,372	5,916,222	15,430,594
09	10,045,930	6,246,755	16,292,686
10	10,605,785	6,594,883	17,200,668
11	11,197,975	6,963,119	18,161,094
<b>TOTAL</b>	<b>\$ 81,837,209</b>	<b>\$ 50,887,970</b>	<b>\$ 132,725,181</b>

The annual POB debt payment is allocated to all City departments via interfund charges related to the personnel costs of the departments. As a result, each City department is charged, on a pro-rata share, for the annual POB debt payment based on the number of full-time personnel they have budgeted at the beginning of each fiscal year.

Due to a significant budget shortfall projected in the FY 03 General Fund budget, it is clear that the General Fund cannot accommodate the escalating debt payment on the existing POBs. Therefore, staff is proposing a partial refunding of the 1995 POBs. The primary purpose of this refunding will be to avoid the annual debt payment escalation by extending the term of the debt and by taking advantage of today's lower variable interest rates.

Staff is proposing a variable rate refunding structure that has a final maturity in 2021, ten years beyond the existing amortization. In addition, staff is proposing to refund only a portion of the existing POBs. Some funds, such as the General, Tidelands, Airport, Health, and Special Advertising and Promotion Funds need relief from the current escalating bond payment schedule, while the Gas Revenue, Southeast Resource Recovery Facility (SERRF), Refuse, Towing, and Internal Service Funds are included since savings in those funds may be passed through to the General Fund. Other funds that are not included in the proposed refunding, such as the Harbor, Water and other enterprise or special revenue funds, have the financial

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capacity to pay on the existing debt schedule and, therefore, avoid the additional interest costs of the new bonds.

The table below includes only data on the several funds proposed to be included in the refunding:

Fiscal Year	Current Debt Payment		Estimated New Debt Payment		Projected Savings/(Cost)	
	General Fund	Tidelands/Other Funds	General Fund	Tidelands/Other Funds	General Fund	Tidelands/Other Funds
03	\$ 7,225,073	\$ 1,623,899	\$ 6,031,437	\$ 1,355,619	\$ 1,193,635	\$ 268,280
04	7,638,288	1,716,772	6,022,893	1,353,698	1,615,395	363,074
05	8,071,833	1,814,215	6,015,494	1,352,035	2,056,339	462,180
06	8,527,488	1,916,628	6,010,564	1,350,927	2,516,924	565,701
07	9,010,465	2,025,181	6,004,031	1,349,459	3,006,435	675,723
08	9,514,372	2,138,439	5,997,072	1,347,895	3,517,300	790,544
09	10,045,930	2,257,911	5,987,117	1,345,657	4,058,814	912,254
10	10,605,785	2,383,743	5,980,923	1,344,265	4,624,862	1,039,478
11	11,197,975	2,516,843	5,972,108	1,342,284	5,225,867	1,174,560
12			5,960,763	1,339,734	(5,960,763)	(1,339,734)
13			5,954,845	1,338,404	(5,954,845)	(1,338,404)
14			5,944,841	1,336,155	(5,944,841)	(1,336,155)
15			5,931,472	1,333,151	(5,931,472)	(1,333,151)
16			5,921,449	1,330,898	(5,921,449)	(1,330,898)
17			5,912,797	1,328,953	(5,912,797)	(1,328,953)
18			5,900,007	1,326,078	(5,900,007)	(1,326,078)
19			5,890,239	1,323,883	(5,890,239)	(1,323,883)
20			5,876,132	1,320,712	(5,876,132)	(1,320,712)
21			5,863,654	1,317,908	(5,863,654)	(1,317,908)
<b>TOTAL</b>	<b>\$ 81,837,209</b>	<b>\$ 18,393,631</b>	<b>\$ 113,177,838</b>	<b>\$ 25,437,715</b>	<b>(\$ 31,340,628)</b>	<b>(\$ 7,044,082)</b>

Again, it is important to note that this refunding is not being done in anticipation of aggregate savings. The purpose of the refunding is to assist the budgets of the General Fund and several other funds by avoiding the escalating debt payment currently scheduled through 2011. The net result of this refunding will be approximately \$38 million of additional interest expense through 2021.

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Staff, therefore, recommends that the City refund approximately 75 percent, or \$73.7 million of the 1995 POBs. This amount was derived by calculating the proportional share of the debt assigned to those General, Tidelands, Health, and other participating Funds that are to be included in the refunding. The total estimated size of the refunding will be \$85 million, with the additional amount used to fully fund the refunding escrow account and to pay for costs of issuance. The amount of this proposed refunding may change depending on market conditions on the day the bonds are sold.

As indicated earlier, the remaining 25 percent of the 1995 POBs, or \$24 million, is attributable to certain City funds and departments that have requested not to be included in this refunding since they have the capacity to pay on the existing debt schedule

This item was reviewed by Assistant City Attorney Heather Mahood and Budget Manager Annette Hough on July 12, 2002. In addition, the Debt Advisory Committee, comprised of representatives from the offices of the City Manager, City Auditor, City Attorney, Financial Management, Community Development, Public Works, and Harbor and Water Departments reviewed this item on July 16, 2002.

**TIMING CONSIDERATIONS**

The structure of the 1995 POBs requires that the annual debt payment be pre-funded with the bond trustee in October of each year. If the City can successfully close this proposed refunding prior to September 1, 2002, approximately \$5.5 million of pre-funded FY 02 debt payment that was set aside in October 2001 will be returned to the City. Approximately \$4.5 million will be credited back to the General Fund with the balance being credited to those departments and funds that are participating in this refunding, but are not funded by the General Fund. These rebated funds are needed to help close the significant budget gap projected in the FY 03 General Fund and Tidelands budgets and close a funding gap in a Health Department capital project. In order for the City to finalize legal documents, pre-market the bonds, sell the bonds and close the transaction prior to September 1, 2002, approval for this transaction is requested at the July 23, 2002 City Council meeting.

**FISCAL IMPACT**

This refunding will have a direct and significant impact to the City's General Fund. Although there are some non-General Fund departments who will participate in this refunding, the majority of the refunding will affect the General Fund. The POB refunding is anticipated to generate a net debt payment savings or cost avoidance of

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approximately \$28 million for the General Fund through 2011 (the original final maturity of the 1995 POBs); however, there will be an additional debt expense of approximately \$59 million from 2012 through 2021 (the maturity date of the proposed refunding bonds). As a result, this transaction will have an estimated additional net cost to the General Fund of approximately \$31 million through 2021. These cost estimates are based on average historical variable-rates and will fluctuate depending on market conditions. However, variable rates have historically been less than or comparable to the current fixed rates on the 1995 bonds.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

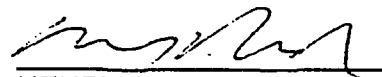
Adopt the attached Resolution authorizing the issuance and sale of City of Long Beach Taxable Pension Obligation Refunding Bonds, Series 2002A and Series 2002B (Auction Rate Securities), approving two supplemental trust agreements and related documents and authorizing the execution and delivery thereof, and prescribing other matters relating thereto.

Respectfully submitted,



ROBERT G. TORREZ  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



HENRY TABOADA  
CITY MANAGER

BT:JDS:ag  
Council Letter - Pension Obligation Bonds

Attachments

31

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RESOLUTION NO. C-

RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF LONG BEACH AUTHORIZING THE ISSUANCE  
AND SALE OF NOT TO EXCEED \$95,000,000 CITY OF  
LONG BEACH TAXABLE PENSION OBLIGATION  
REFUNDING BONDS, SERIES 2002A (AUCTION RATE  
SECURITIES) AND SERIES 2002B (AUCTION RATE  
SECURITIES), AND APPROVING TWO SUPPLEMENTAL  
TRUST AGREEMENTS AND RELATED DOCUMENTS  
AND AUTHORIZING THE EXECUTION AND DELIVERY  
THEREOF, AND PRESCRIBING OTHER MATTERS  
RELATING THERETO

WHEREAS, the City of Long Beach (the "City") is a municipal corporation  
and charter city duly organized and existing under its charter (the "Charter") and the  
laws of the State of California; and

WHEREAS, the City previously issued its Pension Obligation Refunding  
Bonds, Series 1995 (Taxable) (the "Prior Bonds") in an aggregate principal amount of  
\$108,635,000 pursuant to Article I, Section 109 of the Charter and Article 11  
(commencing with Section 53580 and following) of the California Government Code  
(the "Bond Law") and a Trust Agreement, dated as of October 1, 1995, by and between  
the City and BNY Western Trust Company, as Trustee (the "Original Trust Agreement"),  
to pay its unfunded accrued actuarial liability and regular pension contribution for Fiscal  
Years 1994-95 and 1995-96 to Public Employee Retirement System (PERS); and

WHEREAS, the Prior Bonds constitute an obligation imposed by law,  
pursuant to the Charter and the laws of the State of California, and the Prior Bonds and  
any refunding bonds and the documents and the actions contemplated in connection

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1 with the issuance of the Prior Bonds were validated in a court of law; and

2 WHEREAS, the City desires to reduce its debt obligations with respect to  
3 a portion of the Prior Bonds and, in connection therewith, the City desires to issue two  
4 series of refunding bonds (collectively, the "2002 Bonds") pursuant to a First  
5 Supplemental Trust Agreement (the "First Supplemental Trust Agreement") and a  
6 Second Supplemental Trust Agreement (the "Second Supplemental Trust Agreement"  
7 and together with the Original Trust Agreement and the First Supplemental Trust  
8 Agreement, the "Trust Agreement") to be entered into between the City and the Trustee  
9 in an aggregate principal amount not to exceed \$95,000,000 to provide for the  
10 purchase and cancellation of a portion of the Prior Bonds currently and/or to defease a  
11 portion of the then remaining Prior Bonds outstanding and to pay the costs of issuance  
12 of the 2002A Bonds (including underwriters' discount); and

13 WHEREAS, the payment of the principal and interest on the Bonds will be  
14 supported by a municipal bond insurance policy issued by Financial Security  
15 Assurance, Inc. (the "Bond Insurance Policy"); and

16 WHEREAS, there have been presented to this meeting proposed forms of  
17 the following documents:

- 18 1. the First Supplemental Trust Agreement;
- 19 2. the Second Supplemental Trust Agreement;
- 20 3. an Escrow Deposit Agreement (the "Escrow Agreement") to be  
21 entered into between the City and BNY Western Trust Company, as escrow agent  
22 thereunder;
- 23 4. a Bond Purchase Agreement (the "2002A Bond Purchase  
24 Agreement") relating to the 2002A Bonds to be entered into between the City and  
25 Salomon Smith Barney Inc., as representative of the underwriters named therein  
26 (collectively, the "Underwriters");
- 27 5. a Bond Purchase Agreement relating to the 2002B Bonds (the  
28 "2002B Bond Purchase Agreement" and, together with the 2002A Bond Purchase

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1 Agreement, the "Bond Purchase Agreements") to be entered into between the City and  
2 the Underwriters; and

3 6. a Preliminary Official Statement, together with appendices thereto  
4 (the "Preliminary Official Statement"), to be used by the Underwriters in connection with  
5 the sale of the Bonds;

6

7 NOW, THEREFORE, the City Council of the City of Long Beach resolves  
8 as follows:

9 Section 1. The City Council hereby finds and declares that the  
10 issuance of the Bonds and the other agreements and actions contemplated hereby are  
11 in the best interests of the City.

12 Sec. 2. The City Council hereby authorizes and approves the  
13 issuance of the Bonds as described in the Trust Agreement to purchase any Prior  
14 Bonds from the Underwriters and to cancel such Bonds and/or to defease a portion of  
15 the Prior Bonds. The City Council hereby further authorizes and directs the City  
16 Manager to execute the Bonds by manual or facsimile signature and to cause the  
17 Bonds to be authenticated and delivered in accordance with the Trust Agreement.

18 Sec. 3. The 2002 Bonds shall be in substantially the form set forth in  
19 the Trust Agreement with such changes and modifications as the City Manager and the  
20 City Attorney shall approve, such approval to be conclusively evidenced by the  
21 execution and delivery of the 2002 Bonds; provided that (i) the aggregate initial principal  
22 amount of the 2002 Bonds shall not exceed \$95,000,000, (ii) the interest rate on the  
23 2002 Bonds shall not exceed seventeen percent (17%) per annum or the maximum rate  
24 permitted by law, and (iii) the 2002 Bonds shall mature not later than September 1,  
25 2022.

26 Sec. 4. The City shall enter into the First Supplemental Trust  
27 Agreement and the Second Supplemental Trust Agreement (collectively the  
28 "Supplemental Trust Agreements") and the Escrow Agreement. The City Manager is



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1 hereby authorized and directed to execute and deliver the Supplemental Trust  
2 Agreements and the Escrow Agreement, which shall be in substantially the forms  
3 presented to this meeting, with such changes and modifications as the City Manager  
4 and the City Attorney shall approve, which approval shall be conclusively evidenced by  
5 the execution and delivery of the Supplemental Trust Agreements and the Escrow  
6 Agreement.

7                   Sec. 5.       The City Manager is hereby authorized to sell the Bonds to  
8 the Underwriters pursuant to the terms and conditions of the Bond Purchase  
9 Agreements, which the City Manager is hereby authorized and directed to execute and  
10 deliver in substantially the forms presented to this meeting, with such changes and  
11 modifications as the City Manager and the City Attorney shall approve, such approval  
12 shall be conclusively evidenced by the execution and delivery of the Bond Purchase  
13 Agreements; provided that the Underwriters' discount with respect to the 2002 Bonds  
14 (exclusive of original issue discount) shall not exceed 1% of the principal amount of the  
15 2002 Bonds.

16                   Sec. 6.       The Preliminary Official Statement, to be used in connection  
17 with the offer and sale of the 2002 Bonds, in substantially the form presented to this  
18 meeting is hereby approved, and the City Council hereby authorizes the City Manager  
19 to execute at the time of sale of the 2002 Bonds, said form of Preliminary Official  
20 Statement as the final Official Statement (the "Official Statement"), with such changes  
21 and modifications as the City Manager and the City Attorney shall approve, such  
22 approval shall be conclusively evidenced by the execution and delivery of the Official  
23 Statement. The City Manager is hereby authorized to certify on behalf of the City that  
24 the Preliminary Official Statement is deemed final as of its date, within the meaning of  
25 Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the  
26 omission of certain final pricing, rating and related information as permitted by said  
27 Rule).

28 ////

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1                   Sec. 7.        The City Manager is hereby authorized to purchase the  
2 Bond Insurance Policy at market rates.

3                   Sec. 8.        The City Clerk is hereby authorized and directed to seal and  
4 attest or countersign any of the documents authorized by this Resolution. If the City  
5 Manager is unavailable to execute the documents hereinabove mentioned, the City  
6 Treasurer, the Assistant City Manager or the Director of Financial Management shall be  
7 entitled to sign in the place of the City Manager.

8                   Sec. 9.        The City Manager is hereby authorized and directed, at the  
9 request of the City Attorney, to retain and enter into a contract with the firm of Orrick,  
10 Herrington & Sutcliffe LLP as Bond Counsel to assist the City Attorney in legal matters  
11 relating to the issuance of the Bonds and the proposed actions of the City authorized  
12 herein.

13                   Sec. 10.       All actions heretofore taken by the officers and agents of the  
14 City with respect to the sale and issuance of the Bonds are hereby approved, confirmed  
15 and ratified, and the City Manager, the City Attorney, the Director of Financial  
16 Management, the City Treasurer, the City Clerk and other officers of the City are each  
17 hereby authorized and directed, for and in the name and on behalf of the City, to do any  
18 and all things and take any and all actions and execute and deliver any and all  
19 documents including, but not limited to, a continuing disclosure certificate, which they, or  
20 any of them, may deem necessary or advisable in order to consummate the lawful  
21 issuance of the Bonds and the other actions contemplated by this Resolution.

22                   Sec. 11.       This resolution shall take effect immediately upon its adoption  
23 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

24  
25                   I hereby certify that the foregoing resolution was adopted by the City  
26 Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2002, by

27 ////

28 ////

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1 the following vote:

2                   Ayes:           Councilmembers: \_\_\_\_\_

3 \_\_\_\_\_

4 \_\_\_\_\_

5 \_\_\_\_\_

6                   Noes:           Councilmembers: \_\_\_\_\_

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8                   Absent:       Councilmembers: \_\_\_\_\_

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City Clerk

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28 #02-03151

## PRELIMINARY OFFICIAL STATEMENT DATED JULY 24, 2002

NEW ISSUE—BOOK-ENTRY ONLY

TAXABLE (FEDERAL)  
TAX-EXEMPT (CALIFORNIA)

**\$42,000,000\***  
**CITY OF LONG BEACH, CALIFORNIA**  
**Taxable Pension Obligation Refunding Bonds,**  
**Series 2002A (Auction Rate Securities)**

**\$42,000,000\***  
**CITY OF LONG BEACH, CALIFORNIA**  
**Taxable Pension Obligation Refunding Bonds,**  
**Series 2002B (Auction Rate Securities)**

Dated: Date of Delivery

Due: September 1, 2020

The City of Long Beach ("City") has elected to have certain of its employees become members of the California Public Employees Retirement System ("PERS" or the "System") established under sections 20000 through 20500 of the California Government Code (the "Retirement Law"), and the City has contracted with the Board of Administration of PERS for that purpose. Under the Retirement Law and its contract with PERS, the City is obligated to make contributions to the System for certain amounts arising as a result of retirement benefits accruing to members of the System. The City previously issued its Pension Obligation Refunding Bonds, Series 1995 (the "Prior Bonds"), in an aggregate principal amount of \$108,635,000 (the "Prior Bonds"), pursuant to a Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), by and between the City and BNY Western Trust Company, as trustee (the "Trustee"), to refund the obligations of the City to PERS in respect of the City's then existing unfunded accrued actuarial liability under the contract with PERS and the Retirement Law.

The City of Long Beach Taxable Pension Obligation Refunding Bonds, Series 2002A (Auction Rate Securities) (the "Series A Bonds"), are being issued pursuant to the Original Trust Agreement and a First Supplemental Trust Agreement to be entered into between the City and the Trustee, to be dated as of August 1, 2002 (the "First Supplemental Trust Agreement"), to provide for the payment and defeasance of a portion of the Prior Bonds and to pay the costs of issuance of the Series A Bonds. The City of Long Beach Taxable Pension Obligation Refunding Bonds, Series 2002B (Auction Rate Securities) (the "Series B Bonds"), are being issued pursuant to the Original Trust Agreement and a Second Supplemental Trust Agreement to be entered into between the City and the Trustee, to be dated as of August 1, 2002 (the "Second Supplemental Trust Agreement") and, together with the Original Trust Agreement and the First Supplemental Trust Agreement, the "Trust Agreement"), to provide for the payment and defeasance of a portion of the Prior Bonds and to pay the costs of issuance of the Series B Bonds. The Prior Bonds that are not refunded will be payable from the same source of funds as the Series A Bonds and the Series B Bonds (collectively the "Bonds"), without preference or priority. See "PLAN OF REFUNDING" herein.

The Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Purchasers of the Bonds will not receive physical delivery of Bond certificates, except as described herein. Rather, in accordance with a book-entry system, purchasers of the Bonds will have a beneficial ownership interest in the purchased Bonds through DTC Participants (as hereinafter defined). For more information concerning the book-entry system, see "THE BONDS—Book-Entry Only System" herein and APPENDIX C—"BOOK-ENTRY ONLY SYSTEM."

The Bonds will be dated their date of initial delivery and will bear interest from such date until payment of principal has been made. Interest on the Bonds will accrue at the Applicable Auction Rate (as defined herein) until a Fixed Rate Conversion Date (as defined herein). Interest on the Bonds will accrue during the related Interest Period (as defined herein) and will be payable in arrears on each Interest Payment Date (as defined herein). Interest on the Bonds, while outstanding as Auction Rate Securities (as defined herein), is payable on the initial Interest Payment Date as described herein, and each succeeding Interest Payment Date until maturity or earlier redemption. Each Interest Period begins on and includes an Interest Payment Date and ends on but excludes the next succeeding Interest Payment Date. The rate of interest on the Bonds for the first Interest Period will be determined by the applicable Broker-Dealer (as defined herein) on or prior to the day preceding the date of initial delivery of the Bonds. The rate of interest on the Bonds for each subsequent Interest Period while the Bonds are Auction Rate Securities will be the rate of interest that results from implementation of the Auction Procedures described in Appendix C, subject to certain limitations. From and after a Fixed Rate Conversion Date with respect to a Series of Bonds, the Bonds of such Series will bear interest at a fixed interest rate as described herein. Upon such adjustment, the Owners of such Series of Bonds will be required to tender their Bonds for purchase as described herein. The Bonds are issuable in denominations of \$50,000 and any integral multiple thereof. See "THE BONDS" herein.

**NO ATTEMPT HAS BEEN OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION OF INTEREST ON THE BONDS FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.** In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds or regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC. ("Financial Security").

**FFSA.**

Ratings on the Bonds will, therefore, be based solely on the credit of Financial Security and not on the credit of the City. See "SECURITY FOR THE BONDS—Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE" herein and APPENDIX E—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

The Bonds are subject to redemption prior to maturity and to mandatory purchase under the circumstances described herein.

THE BONDS CONSTITUTE THE ABSOLUTE AND UNCONDITIONAL OBLIGATIONS OF THE CITY, PAYABLE FROM ALL AVAILABLE FUNDS OF THE CITY; HOWEVER, NO SPECIFIC SOURCE OF REVENUES OR OTHER FUNDS OF THE CITY ARE PLEDGED, NOR IS THE CITY OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS. THE BONDS ARE NOT SUBJECT TO ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY HAS COVENANTED IN THE TRUST AGREEMENT TO PUNCTUALLY PAY THE INTEREST ON, AND THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, TO BECOME DUE ON EVERY BOND ISSUED PURSUANT TO THE TRUST AGREEMENT IN STRICT CONFORMITY WITH THE TERMS OF THE TRUST AGREEMENT AND OF THE BONDS, AND THAT IT WILL FAITHFULLY OBSERVE AND PERFORM ALL THE AGREEMENTS AND COVENANTS TO BE OBSERVED OR PERFORMED BY THE CITY CONTAINED IN THE TRUST AGREEMENT AND IN THE BONDS.

THIS COVER PAGE CONTAINS INFORMATION FOR REFERENCE ONLY. IT IS **NOT** A SUMMARY OF THE ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued, and received by the Underwriters, subject to approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. Certain other legal matters will be passed upon for the Underwriters by their counsel, Quint & Thimig LLP, San Francisco, California, and for the City by the City Attorney. The Bonds in book-entry form will be available for delivery to DTC in New York, New York, on or about August 14, 2002.

**Salomon Smith Barney**  
 Broker-Dealer for Series A Bonds

**RBC Dain Rauscher**  
 Broker-Dealer for Series B Bonds

Dated: August \_\_, 2002

\*Preliminary, subject to change.

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 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 a 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 or qualification under the securities laws of such jurisdiction.



July 23, 2002

**FOR THE REMAINDER OF THE PAGES  
OF THE PRECEDING PORTION OF THIS AGENDA ITEM,  
PLEASE CONTACT  
THE LONG BEACH CITY CLERK DEPARTMENT AT  
(562) 570-6101  
(562) 570-6789 (FAX)  
[cityclerk@ci.long-beach.ca.us](mailto:cityclerk@ci.long-beach.ca.us)**

1 RESOLUTION NO.

2  
3 A RESOLUTION OF THE CITY COUNCIL OF THE  
4 CITY OF LONG BEACH AUTHORIZING THE  
5 CONVERSION OF A PORTION OF THE OUTSTANDING  
6 CITY OF LONG BEACH, CALIFORNIA TAXABLE PENSION  
7 OBLIGATION REFUNDING BONDS, SERIES 2002A AND  
8 SERIES 2002B (THE "SERIES 2002 BONDS") TO FIXED  
9 INTEREST RATES TO MATURITY; AUTHORIZING THE  
10 REDEMPTION OF A PORTION OF THE SERIES 2002  
11 BONDS; AUTHORIZING THE EXECUTION AND  
12 DELIVERY OF CERTAIN DOCUMENTS; AND CERTAIN  
13 RELATED MATTERS

14  
15 WHEREAS, the City of Long Beach, California (the "City" ) is a municipal  
16 corporation and charter city duly organized and existing under its charter (the "Charter" )  
17 and the laws of the State of California (the "State"); and

18 WHEREAS, the City previously issued its Pension Obligation Refunding  
19 Bonds, Series 1995 (Taxable) (the "Series 1995 Bonds") in an aggregate principal  
20 amount of \$108,635,000 pursuant to Article I, Section 109 of the Charter and Article 11  
21 (commencing with Section 53580) of the California Government Code (the "Bond Law")  
22 and a Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"),  
23 between the City and The Bank of New York Trust Company, N.A. (formerly known as  
24 BNY Western Trust Company), as trustee (the "Trustee") to pay its unfunded accrued  
25 actuarial liability and regular pension contribution for Fiscal Years 1994-95 and 1995-96  
26 to the Public Employee Retirement System; and

27 WHEREAS, the Series 1995 Bonds constituted an obligation imposed by  
28 law, pursuant to the Charter and the laws of the State, and the Series 1995 Bonds and

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1 any refunding bonds and the documents and the actions contemplated in connection  
2 with the issuance of the Series 1995 Bonds were validated in a court of law; and

3 WHEREAS, the City issued its \$44,000,000 City of Long Beach, California  
4 Taxable Pension Obligation Refunding Bonds, Series 2002A (the "Series 2002A  
5 Bonds") pursuant to the Original Trust Agreement and the First Supplemental Trust  
6 Agreement, dated as of August 1, 2002 (the "First Supplemental Trust Agreement"),  
7 between the City and the Trustee, and its \$43,950,000 City of Long Beach, California  
8 Taxable Pension Obligation Refunding Bonds, Series 2002B (the "Series 2002B  
9 Bonds," and together with the Series 2002A Bonds, the "Series 2002 Bonds") pursuant  
10 to the Original Trust Agreement and the Second Supplemental Trust Agreement, dated  
11 as of August 1, 2002 (the "Second Supplemental Trust Agreement"), between the City  
12 and the Trustee, to defease to maturity \$73,785,000 aggregate principal amount of the  
13 Series 1995 Bonds and to pay certain costs of issuance of the Series 2002 Bonds; and

14 WHEREAS, the Series 2002A Bonds are currently Outstanding (as such  
15 term is defined in the Original Trust Agreement) in the aggregate principal amount of  
16 \$39,500,000 and the Series 2002B Bonds are currently Outstanding in the aggregate  
17 principal amount of \$39,450,000; and

18 WHEREAS, the Series 2002 Bonds were initially issued to bear interest at  
19 Auction Rates (as defined in the First Supplemental Trust Agreement and the Second  
20 Supplemental Trust Indenture); and

21 WHEREAS, the City Council of the City (the "City Council") has  
22 determined that it is in the City's best interest to convert and remarket \$38,300,000  
23 aggregate principal amount of the Series 2002A Bonds (the "Converted Series 2002A  
24 Bonds") and \$38,250,000 aggregate principal amount of the Series 2002B Bonds (the  
25 "Converted Series 2002B Bonds," and together with the Converted Series 2002A  
26 Bonds, the "Converted Series 2002 Bonds") to Fixed Rate Bonds (as such term is  
27 defined in the First Supplemental Trust Agreement and the Second Supplemental Trust  
28 Agreement) on or about December 30, 2005; and

1                   WHEREAS, the City wishes to appoint Citigroup Global Markets Inc.  
2 ("Citigroup") and Bear, Stearns & Co. Inc. ("Bear Stearns," and collectively with  
3 Citigroup, the "Remarketing Agents") as remarketing agents, in connection with the  
4 conversion and remarketing of the Converted Series 2002 Bonds; and

5                   WHEREAS, the City Council has determined that it is in the City's best  
6 interest to use \$2,400,000 of available moneys derived from the accumulated set-aside  
7 of City pension bond debt service to redeem \$1,200,000 aggregate principal amount of  
8 the Series 2002A Bonds (the "Redeemed Series 2002A Bonds") and \$1,200,000  
9 aggregate principal amount of the Series 2002B Bonds (the "Redeemed Series 2002B  
10 Bonds," and together with the Redeemed Series 2002A Bonds, the "Redeemed Series  
11 2002 Bonds") on or about December 30, 2005; and

12                   WHEREAS, there have been presented to this meeting proposed forms of  
13 the following documents:

- 14                   1.     Third Supplemental Trust Agreement (the "Third Supplemental  
15 Trust Agreement"), between the City and the Trustee;
- 16                   2.     Fourth Supplemental Trust Agreement (the "Fourth Supplemental  
17 Trust Agreement"), between the City and the Trustee;
- 18                   3.     Fifth Supplemental Trust Agreement (the "Fifth Supplemental Trust  
19 Agreement"), between the City and the Trustee;
- 20                   4.     Sixth Supplemental Trust Agreement (the "Sixth Supplemental  
21 Trust Agreement"), between the City and the Trustee;
- 22                   5.     Remarketing Agreement (the "Remarketing Agreement"), among  
23 the Remarketing Agents and the City;
- 24                   6.     Preliminary Remarketing Circular (the "Preliminary Remarketing  
25 Circular") to be distributed in connection with the remarketing of the Converted Series  
26 2002 Bonds; and
- 27                   7.     Amended and Restated Continuing Disclosure Certificate, (the  
28 "Amended and Restated Disclosure Certificate") by the City;



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1           NOW, THEREFORE, the City Council of the City of Long Beach resolves  
2 as follows:

3           Section 1. Findings of City Council. The City Council hereby finds and  
4 declares that the conversion, remarketing and redemption of the Series 2002 Bonds,  
5 respectively, as hereinabove described and the other agreements and actions  
6 contemplated hereby are in the best interests of the City.

7           Sec. 2. Authorization to Convert the Series 2002 Bonds. The City  
8 Council hereby authorizes the conversion of \$38,300,000 aggregate principal amount of  
9 the Series 2002A Bonds on or about December 30, 2005 to Fixed Rate Bonds to their  
10 maturity date and the conversion of \$38,250,000 aggregate principal amount of the  
11 Series 2002B Bonds on or about December 30, 2005 to Fixed Interest Rates to their  
12 maturity date. In connection with such conversions, the Converted Series 2002 Bonds  
13 will be remarketed in accordance with the terms of the Original Trust Agreement, the  
14 First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the  
15 Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement, the  
16 Fifth Supplemental Trust Agreement, the Sixth Supplemental Trust Agreement  
17 (collectively, the "Trust Agreement") and the Remarketing Agreement.

18           Sec. 3. Supplemental Trust Agreements. In connection with the  
19 conversion and remarketing of the Converted Series 2002 Bonds, it is necessary to  
20 make certain clarifications, modifications and amendments to the First Supplemental  
21 Trust Agreement and the Second Supplemental Trust Agreement and to provide for the  
22 terms of the Converted Series 2002 Bonds upon their conversion and remarketing. The  
23 forms, terms and provisions of the Third Supplemental Trust Agreement, the Fourth  
24 Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement and the Sixth  
25 Supplemental Trust Agreement are in all respects approved, and the City Manager, the  
26 Director of Financial Management of the City and/or the City Treasurer, any one or  
27 more thereof, are hereby authorized, empowered and directed to execute, acknowledge  
28 and deliver the Third Supplemental Trust Agreement, the Fourth Supplemental Trust

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1 Agreement, the Fifth Supplemental Trust Agreement and the Sixth Supplemental Trust  
2 Agreement, including counterparts thereof, in the name of and on behalf of the City.  
3 The Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement,  
4 the Fifth Supplemental Trust Agreement and the Sixth Supplemental Trust Agreement,  
5 as executed and delivered, shall be in substantially the forms now before this meeting  
6 or on file with the City Clerk, as the case may be, and hereby approved, or with such  
7 changes therein as shall be approved by the officer or officers of the City executing the  
8 same; the execution thereof shall constitute conclusive evidence of the City Council's  
9 approval of any and all changes or revisions therein from the forms of the Third  
10 Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement, the Fifth  
11 Supplemental Trust Agreement and the Sixth Supplemental Trust Agreement now  
12 before this meeting or on file with the City Clerk, as the case may be, and from and  
13 after the execution and delivery of the Third Supplemental Trust Agreement, the Fourth  
14 Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement and the Sixth  
15 Supplemental Trust Agreement, the officers, agents and employees of the City are  
16 hereby authorized, empowered and directed to do all such acts and things and to  
17 execute all such documents as may be necessary to carry out and comply with the  
18 provisions of the Third Supplemental Trust Agreement, the Fourth Supplemental Trust  
19 Agreement, the Fifth Supplemental Trust Agreement and the Sixth Supplemental Trust  
20 Agreement.

21                   Sec. 4.           Form of Converted Series 2002 Bonds. Upon the  
22 conversion of the Converted Series 2002 Bonds to Fixed Rate Bonds, the City Manager  
23 is hereby directed to execute and deliver new Series 2002 Bonds by manual or  
24 facsimile signature and to cause the Series 2002 Bonds to be authenticated and  
25 delivered in accordance with the terms of the Trust Agreement. The Series 2002  
26 Bonds to be executed and delivered upon conversion to Fixed Rate Bonds shall be in  
27 substantially the forms set forth in the Fifth Supplemental Trust Agreement and the  
28 Sixth Supplemental Trust Agreement, respectively, with such changes and

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1 modifications as the City Manager and the City Attorney shall approve, such approval to  
2 be conclusively evidenced by the execution and delivery of the Series 2002 Bonds;  
3 provided that (i) the aggregate principal amount of the Converted Series 2002A Bonds  
4 shall not exceed \$38,300,000, (ii) the aggregate principal amount of the Converted  
5 Series 2002B Bonds shall not exceed \$38,250,000, (iii) the interest rate on each  
6 Converted Series 2002 Bond shall not exceed six percent (6.00%) per annum, and (iv)  
7 the Converted Series 2002 Bonds shall mature not later than September 1, 2021.

8           Sec. 5.       Remarketing Agents and Remarketing Agreement. The City  
9 Council hereby appoints Citigroup Global Markets Inc. and Bear, Stearns & Co. Inc. as  
10 remarketing agents (the "Remarketing Agents") in connection with the conversion and  
11 remarketing of the Converted Series 2002 Bonds. The City Manager, the Director of  
12 Financial Management of the City and/or the City Treasurer, any one of them, are  
13 hereby authorized to approve the final terms of the remarketing of the Converted Series  
14 2002 Bonds subject to the terms, conditions and restrictions set forth in this Resolution  
15 and the Trust Agreement. The Converted Series 2002 Bonds shall be remarketed by  
16 the Remarketing Agents at a remarketing fee as set forth in the Remarketing  
17 Agreement, not to exceed 0.40% of the aggregate principal amount of the Converted  
18 Series 2002 Bonds remarketed by the Remarketing Agents, and subject to the terms  
19 and conditions set forth in the Remarketing Agreement and the Trust Agreement. The  
20 form, terms and provisions of the Remarketing Agreement are in all respects approved,  
21 and the City Manager, the Director of Financial Management of the City and/or the City  
22 Treasurer, any one or more thereof, are hereby authorized, empowered and directed to  
23 execute, acknowledge and deliver the Remarketing Agreement including counterparts  
24 thereof, in the name of and on behalf of the City. The Remarketing Agreement, as  
25 executed and delivered, shall be in substantially the form now before this meeting or on  
26 file with the City Clerk, as the case may be, and hereby approved, or with such changes  
27 therein as shall be approved by the officer or officers executing the same; the execution  
28 thereof shall constitute conclusive evidence of the City Council's approval of any and all

1 changes or revisions therein from the form of the Remarketing Agreement now before  
2 this meeting or on file with the City Clerk, as the case may be; and from and after the  
3 execution and delivery of the Remarketing Agreement, the officers, agents and  
4 employees of the City are hereby authorized, empowered and directed to do all such  
5 acts and things and to execute all such documents as may be necessary to carry out  
6 and comply with the provisions of the Remarketing Agreement.

7           Sec. 6.       Preliminary Remarketing Circular. The City Manager, the  
8 Director of Financial Management of the City and/or the City Treasurer, any one or  
9 more thereof, are hereby authorized, empowered and directed to approve,  
10 acknowledge and deliver (including, without limitation, through electronic means) a  
11 Preliminary Remarketing Circular to be used in connection with the remarketing of the  
12 Converted Series 2002 Bonds to the public. The City Council hereby approves the form  
13 of the Preliminary Remarketing Circular now before this meeting or on file with the City  
14 Clerk, as the case may be, and the Preliminary Remarketing Circular shall be circulated  
15 (including, without limitation, through electronic means) for use in remarketing the  
16 Converted Series 2002 Bonds at such time or times as the City Manager, the Director  
17 of Financial Management of the City and/or the City Treasurer, any one or more  
18 thereof, (after consultation with the City's financial advisor, bond counsel and disclosure  
19 counsel and such other advisors the City believes to be useful) shall determine that  
20 such Preliminary Remarketing Circular is substantially final within the meaning of Rule  
21 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, said  
22 determination to be conclusively evidenced by a certificate signed by either the City  
23 Manager, the Director of Financial Management of the City and/or the City Treasurer,  
24 any one or more thereof, to such effect, and any such action previously taken is hereby  
25 confirmed, ratified and approved. The Remarketing Agents are hereby authorized to  
26 distribute (including, without limitation, through electronic means) the Preliminary  
27 Remarketing Circular in connection with the remarketing of the Converted Series 2002  
28 Bonds to the public after receiving the deemed final certificate.

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1                   Sec. 7.       Remarketing Circular. Prior to the conversion of the  
2                   Converted Series 2002 Bonds on December 30, 2005, the City shall provide for the  
3                   preparation, publication, execution and delivery (including, without limitation, through  
4                   electronic means) of a final Remarketing Circular relating to the Converted Series 2002  
5                   Bonds in substantially the form of the draft Preliminary Remarketing Circular to be  
6                   prepared and delivered by the City. The City Manager, the Director of Financial  
7                   Management of the City and/or the City Treasurer, any one or more thereof, are hereby  
8                   authorized and directed to execute and deliver (including, without limitation, through  
9                   electronic means) the final Remarketing Circular in the name and on behalf of the City.  
10                  The execution thereof shall constitute conclusive evidence of the City Council's  
11                  approval of any and all changes or revisions therein from the form of the Preliminary  
12                  Remarketing Circular. The Remarketing Agents are hereby authorized to distribute  
13                  (including, without limitation, through electronic means) the Remarketing Circular in final  
14                  form when such Remarketing Circular is in final form.

15                  Sec. 8.       Amended and Restated Disclosure Certificate. In  
16                  connection with the conversion and remarketing of the Converted Series 2002 Bonds, it  
17                  is necessary to amend and restate the terms and provisions of that certain Continuing  
18                  Disclosure Certificate, dated August 15, 2002 (the "Original Disclosure Certificate"), by  
19                  the City, by executing the Amended and Restated Disclosure Certificate. The form,  
20                  terms and provisions of the Amended and Restated Disclosure Certificate are in all  
21                  respects approved, and the City Manager, the Director of Financial Management of the  
22                  City and/or the City Treasurer, any one or more thereof, are hereby authorized,  
23                  empowered and directed to execute, acknowledge and deliver the Amended and  
24                  Restated Disclosure Certificate, in the name of and on behalf of the City. The  
25                  Amended and Restated Disclosure Certificate, as executed and delivered, shall be in  
26                  substantially the form now before this meeting or on file with the City Clerk, as the case  
27                  may be, and hereby approved, or with such changes therein as shall be approved by  
28                  the officer or officers of the City executing the same; the execution thereof shall

1 constitute conclusive evidence of the City Council's approval of any and all changes or  
2 revisions therein from the form of the Amended and Restated Disclosure Certificate  
3 now before this meeting or on file with the City Clerk, as the case may be; and from and  
4 after the execution and delivery of the Amended and Restated Disclosure Certificate,  
5 the officers, agents and employees of the City are hereby authorized, empowered and  
6 directed to do all such acts and things and to execute all such documents as may be  
7 necessary to carry out and comply with the provisions of the Amended and Restated  
8 Disclosure Certificate.

9                   Sec. 9.           Redemption of Redeemed Series 2002 Bonds. The City  
10 Council hereby authorizes the optional redemption of \$1,200,000 aggregate principal  
11 amount of the Series 2002A Bonds on December 30, 2005 pursuant to the terms and  
12 conditions of the Original Trust Agreement and the First Supplemental Trust Agreement  
13 and \$1,200,000 aggregate principal amount of the Series 2002B Bonds on December  
14 30, 2005 pursuant to the terms and conditions of the Original Trust Agreement and the  
15 Second Supplemental Trust Agreement.

16                   Sec. 10.           Use of Available Moneys of the City. The City Council  
17 hereby approves the use of not to exceed \$4,035,000 of available moneys derived from  
18 the accumulated set-aside of City pension bond debt service to be (a) used to optionally  
19 redeem \$2,400,000 aggregate principal amount of the Redeemed Series 2002 Bonds,  
20 (b) deposited to the Bond Fund, established pursuant to the Original Trust Agreement,  
21 to pay principal and interest on the Series 2002 Bonds, and (c) used to pay the costs of  
22 the conversion, remarketing and redemption of the Series 2002 Bonds, including,  
23 remarketing fees payable to the Remarketing Agents pursuant to the terms of this  
24 Resolution and the Remarketing Agreement, bond counsel and disclosure counsel  
25 fees, financial advisory fees, rating agency fees, and such other fees payable by the  
26 City in connection with the conversion, remarketing and redemption of the Series 2002  
27 Bonds.

28                   Sec. 11.           Notices. The City Manager, the Director of Financial

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1 Management of the City and/or the City Treasurer are hereby authorized and directed  
2 to deliver or cause to be delivered any notices required to be given in connection with  
3 the conversion, remarketing and redemption of the Series 2002 Bonds and any notices  
4 delivered prior to the date of this meeting are hereby confirmed, ratified and approved.  
5           Sec. 12.       Additional Authorizations. The City Manager, the Director of  
6 Financial Management of the City and/or the City Treasurer and all officers, agents and  
7 employees of the City, for and on behalf of the City, be and they hereby are authorized  
8 and directed to do any and all things necessary to effect the conversion, remarketing  
9 and redemption of the Series 2002 Bonds, the execution and delivery, as the case may  
10 be, of the Third Supplemental Trust Agreement, the Fourth Supplemental Trust  
11 Agreement, the Fifth Supplemental Trust Agreement, the Sixth Supplemental Trust  
12 Agreement, the Remarketing Agreement, the Preliminary and final Remarketing  
13 Circulars, and the Amended and Restated Disclosure Certificate, and to carry out the  
14 terms thereof. The City Manager, the Director of Financial Management of the City  
15 and/or the City Treasurer and all other officers, agents and other employees of the City  
16 are further authorized and directed, for and on behalf of the City, to execute all papers,  
17 documents, certificates and other instruments that may be required in order to carry out  
18 the authority conferred by this Resolution and by the Trust Agreement and the  
19 Remarketing Agreement or to evidence the same authority and its exercise. The  
20 foregoing authorization includes, but is in no way limited to, (a) authorizing the City to  
21 pay costs incurred in connection with the conversion, remarketing and redemption of  
22 the Series 2002 Bonds, the fees and expense of the Remarketing Agents pursuant to  
23 the Remarketing Agreement, which shall not exceed the limits set forth in Section 5  
24 hereof; (b) authorizing the City Manager, the Director of Financial Management of the  
25 City and/or the City Treasurer (after consultation with the City's financial advisor, bond  
26 counsel, the Remarketing Agents and such other advisors the City believed to be  
27 useful) to change the conversion date of the Series 2002 Bonds from December 30,  
28 2005 to a later date selected by the City Manager, the Director of Financial

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1 Management of the City and/or the City Treasurer; and (c) authorizing the execution by  
2 the City Manager, the Director of Financial Management of the City and/or the City  
3 Treasurer, any one of them, of any documents required by The Depository Trust  
4 Company in connection with the book-entry bonds. Additionally, the City Clerk is  
5 hereby authorized and directed to seal and attest or countersign any of the documents  
6 authorized by this Resolution.

7           Sec. 13.     Services. Inasmuch as the City shall require the services of  
8 certain professionals in connection with the conversion, remarketing and redemption of  
9 the Series 2002 Bonds, the City Council hereby appoints the firm of Kutak Rock LLP,  
10 as Bond Counsel and Disclosure Counsel, and Public Financial Management Inc., as  
11 Financial Advisor, on such terms as shall be favorable to the City and approved by the  
12 Director of Financial Management of the City and the City Attorney, respectively.

13           Sec. 14.     This resolution shall take effect immediately upon its  
14 adoption by the City Council, and the City Clerk shall certify the vote adopting this  
15 resolution.

16           I hereby certify that the foregoing resolution was adopted by the City  
17 Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2005, by  
18 the following vote:

19           Ayes:           Councilmembers: \_\_\_\_\_

20           \_\_\_\_\_

21           \_\_\_\_\_

22           \_\_\_\_\_

23           Noes:            Councilmembers: \_\_\_\_\_

24           \_\_\_\_\_

25           Absent:          Councilmembers: \_\_\_\_\_

26           \_\_\_\_\_

27           \_\_\_\_\_

28           \_\_\_\_\_

City Clerk



**THIRD SUPPLEMENTAL TRUST AGREEMENT**

between the

**CITY OF LONG BEACH, CALIFORNIA**

and

**THE BANK OF NEW YORK TRUST COMPANY, N.A.,**  
as Trustee

Relating to:

City of Long Beach, California  
Taxable Pension Obligation Refunding Bonds  
Series 2002A

Dated as of December 14, 2005

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### THIRD SUPPLEMENTAL TRUST AGREEMENT

This **THIRD SUPPLEMENTAL TRUST AGREEMENT** is made and entered into as of December 14, 2005 (this "Third Supplemental Trust Agreement"), between the **CITY OF LONG BEACH, CALIFORNIA** (the "City"), a municipal corporation and charter city duly organized and existing under its charter and laws of the State of California, and **THE BANK OF NEW YORK TRUST COMPANY, N.A.** (formerly known as BNY Western Trust Company), a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee");

#### WITNESSETH:

WHEREAS, the City previously entered into the Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), with the Trustee, in connection with the issuance of its Pension Obligation Refunding Bonds, Series 1995 (Federally Taxable) (the "Series 1995 Bonds"); and

WHEREAS, the City previously entered into the First Supplemental Trust Agreement, dated as of August 1, 2002 (the "First Supplemental Trust Agreement"), with the Trustee in connection with the issuance of the its Taxable Pension Obligation Refunding Bonds, Series 2002A (the "Series 2002A Bonds"); and

WHEREAS, the Series 2002A Bonds were originally issued as Auction Rate Securities (as such term is defined in the First Supplemental Trust Agreement) and the City now wishes to convert a portion of the Series 2002A Bonds to Fixed Rate Bonds (as such term is defined in the First Supplemental Trust Agreement); and

WHEREAS, pursuant to Section 7.01(e) of the Original Trust Agreement, the City may, from time to time, execute and deliver Supplemental Trust Agreements, supplementing and/or amending the Original Trust Agreement and/or any Supplemental Trust Agreements, to modify, amend or supplement the Original Trust Agreement and/or any Supplemental Trust Agreement, in any manner that does not materially adversely affect the interest of the holders of the Bonds (as defined in the Original Trust Agreement); and

WHEREAS, in connection with the conversion of a portion of the Series 2002A Bonds to Fixed Rate Bonds, the City has determined that certain amendments are required to be made to the First Supplemental Trust Agreement;

NOW, THEREFORE, the City and the Trustee agree as follows, each for the benefit of the other and/or the benefit of the holders of the Series 2002A Bonds.

**Section 1. Definitions.** All capitalized terms used herein, except as otherwise defined herein, shall have the meanings assigned thereto in either Article I of the Original Trust Agreement or Article I of the First Supplemental Trust Agreement.

**Section 2. Authorization.** This Third Supplemental Trust Agreement amends and supplements certain provisions of the First Supplemental Trust Agreement and is entered into in accordance with the provisions of the Original Trust Agreement, specifically Section 7.01(e)

thereof. Each of the parties hereby represents and warrants that it has full legal authority and is empowered to enter into this Third Supplemental Trust Agreement, and has taken all actions necessary to authorized the execution and delivery of this Third Supplemental Trust Agreement.

**Section 3. Amendments to First Supplemental Trust Agreement.**

(a) The reference to "Broker-Dealer" in the first and third sentences of Section 2.03(n)(iv) of the First Supplemental Trust Agreement shall be amended and restated in its entirety to read as follows: "Broker-Dealer, or such other remarketing agent or agents duly appointed by the City,".

(b) The reference to "by facsimile notice:" in the third sentence of Section 2.03(n)(iv) of the First Supplemental Trust Agreement shall be amended and restated in its entirety to read as follows: "by facsimile notice or by such other method or methods as may be agreed to by the Broker-Dealer, or such other remarketing agent or agents duly appointed by the City, the City and the Trustee:".

(c) Section 2.03(n)(iv)(D) of the First Supplemental Trust Agreement shall be amended and restated in its entirety to read as follows: "(D) a schedule of the maturity date(s) and related principal amounts and any optional redemption dates and related redemption prices of converted Series 2002A Bonds which the City has redesignated as Serial Bonds; and".

**Section 4. First Supplemental Trust Agreement to Remain in Effect.** Except as amended and supplemented by this Third Supplemental Trust Agreement, the First Supplemental Trust Agreement shall remain in full force and effect.

**Section 5. Severability.** If any provisions of this Third Supplemental Trust Agreement shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

**Section 6. Article and Section References.** Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Third Supplemental Trust Agreement.

**Section 7. Execution in Several Counterparts.** This Third Supplemental Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 8. Governing Law.** This Third Supplemental Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

**Section 9. Effective Date.** This Third Supplemental Trust Agreement shall be effective upon the execution hereof by the parties hereto.

[End of Third Supplemental Trust Agreement]

IN WITNESS WHEREOF, the City has caused this Third Supplemental Trust Agreement to be executed in its name by the City Manager of the City and the Trustee has caused this Third Supplemental Trust Agreement to be executed in its name by its duly authorized officer all as of the day and year first above written.

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
City Manager

Attest:

By \_\_\_\_\_  
City Clerk

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

By \_\_\_\_\_  
Authorized Signatory

[Signature page to Third Supplemental Trust Agreement]

**FOURTH SUPPLEMENTAL TRUST AGREEMENT**

between the

**CITY OF LONG BEACH, CALIFORNIA**

and

**THE BANK OF NEW YORK TRUST COMPANY, N.A.,**  
as Trustee

Relating to:

City of Long Beach, California  
Taxable Pension Obligation Refunding Bonds  
Series 2002B

Dated as of December 14, 2005

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## FOURTH SUPPLEMENTAL TRUST AGREEMENT

This **FOURTH SUPPLEMENTAL TRUST AGREEMENT** is made and entered into as of December 14, 2005 (this "Fourth Supplemental Trust Agreement"), between the **CITY OF LONG BEACH, CALIFORNIA** (the "City"), a municipal corporation and charter city duly organized and existing under its charter and laws of the State of California, and **THE BANK OF NEW YORK TRUST COMPANY, N.A.** (formerly known as BNY Western Trust Company), a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"):

### WITNESSETH:

WHEREAS, the City previously entered into the Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), with the Trustee, in connection with the issuance of its Pension Obligation Refunding Bonds, Series 1995 (Federally Taxable) (the "Series 1995 Bonds"); and

WHEREAS, the City previously entered into the Second Supplemental Trust Agreement, dated as of August 1, 2002 (the "Second Supplemental Trust Agreement"), with the Trustee in connection with the issuance of the its Taxable Pension Obligation Refunding Bonds, Series 2002B (the "Series 2002B Bonds"); and

WHEREAS, the Series 2002B Bonds were originally issued as Auction Rate Securities (as such term is defined in the Second Supplemental Trust Agreement) and the City now wishes to convert a portion of the Series 2002B Bonds to Fixed Rate Bonds (as such term is defined in the Second Supplemental Trust Agreement); and

WHEREAS, pursuant to Section 7.01(e) of the Original Trust Agreement, the City may, from time to time, execute and deliver Supplemental Trust Agreements, supplementing and/or amending the Original Trust Agreement and/or any Supplemental Trust Agreements, to modify, amend or supplement the Original Trust Agreement and/or any Supplemental Trust Agreement, in any manner that does not materially adversely affect the interest of the holders of the Bonds (as defined in the Original Trust Agreement); and

WHEREAS, in connection with the conversion of a portion of the Series 2002B Bonds to Fixed Rate Bonds, the City has determined that certain amendments are required to be made to the Second Supplemental Trust Agreement;

NOW, THEREFORE, the City and the Trustee agree as follows, each for the benefit of the other and/or the benefit of the holders of the Series 2002B Bonds.

**Section 1. Definitions.** All capitalized terms used herein, except as otherwise defined herein, shall have the meanings assigned thereto in either Article I of the Original Trust Agreement or Article I of the Second Supplemental Trust Agreement.

**Section 2. Authorization.** This Fourth Supplemental Trust Agreement amends and supplements certain provisions of the Second Supplemental Trust Agreement and is entered into in accordance with the provisions of the Original Trust Agreement, specifically Section 7.01(e)

thereof. Each of the parties hereby represents and warrants that it has full legal authority and is empowered to enter into this Fourth Supplemental Trust Agreement, and has taken all actions necessary to authorized the execution and delivery of this Fourth Supplemental Trust Agreement.

**Section 3. Amendments to Second Supplemental Trust Agreement.**

(a) The reference to "Broker-Dealer" in the first and third sentences of Section 2.03(n)(iv) of the Second Supplemental Trust Agreement shall be amended and restated in its entirety to read as follows: "Broker-Dealer, or such other remarketing agent or agents duly appointed by the City,".

(b) The reference to "by facsimile notice:" in the third sentence of Section 2.03(n)(iv) of the Second Supplemental Trust Agreement shall be amended and restated in its entirety to read as follows: "by facsimile notice or by such other method or methods as may be agreed to by the Broker-Dealer; or such other remarketing agent or agents duly appointed by the City, the City and the Trustee:".

(c) Section 2.03(n)(iv)(D) of the Second Supplemental Trust Agreement shall be amended and restated in its entirety to read as follows: "(D) a schedule of the maturity date(s) and related principal amounts and any optional redemption dates and related redemption prices of converted Series 2002B Bonds which the City has redesignated as Serial Bonds; and".

**Section 4. Second Supplemental Trust Agreement to Remain in Effect.** Except as amended and supplemented by this Fourth Supplemental Trust Agreement, the Second Supplemental Trust Agreement shall remain in full force and effect.

**Section 5. Severability.** If any provisions of this Fourth Supplemental Trust Agreement shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

**Section 6. Article and Section References.** Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Fourth Supplemental Trust Agreement.

**Section 7. Execution in Several Counterparts.** This Fourth Supplemental Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 8. Governing Law.** This Fourth Supplemental Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

**Section 9. Effective Date.** This Fourth Supplemental Trust Agreement shall be effective upon the execution hereof by the parties hereto.

[End of Fourth Supplemental Trust Agreement]

IN WITNESS WHEREOF, the City has caused this Fourth Supplemental Trust Agreement to be executed in its name by the City Manager of the City and the Trustee has caused this Fourth Supplemental Trust Agreement to be executed in its name by its duly authorized officer all as of the day and year first above written.

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
City Manager

Attest:

By \_\_\_\_\_  
City Clerk

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

By \_\_\_\_\_  
Authorized Signatory

[Signature page to Fourth Supplemental Trust Agreement]

**FIFTH SUPPLEMENTAL TRUST AGREEMENT**

between the

**CITY OF LONG BEACH, CALIFORNIA**

and

**THE BANK OF NEW YORK TRUST COMPANY, N.A.,**  
as Trustee

Relating to:

City of Long Beach, California  
Taxable Pension Obligation Refunding Bonds  
Series 2002A

Dated as of December 30, 2005

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## FIFTH SUPPLEMENTAL TRUST AGREEMENT

This **FIFTH SUPPLEMENTAL TRUST AGREEMENT** is made and entered into as of December 30, 2005 (this "Fifth Supplemental Trust Agreement"), between the **CITY OF LONG BEACH, CALIFORNIA** (the "City"), a municipal corporation and charter city duly organized and existing under its charter and laws of the State of California, and **THE BANK OF NEW YORK TRUST COMPANY, N.A.** (formerly known as BNY Western Trust Company), a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"):

### WITNESSETH:

WHEREAS, the City is obligated pursuant to a contract between the Board of Administration of the Public Employees' Retirement System ("PERS") and the City Council of the City, effective July 1, 1950, as amended and restated as of July 19, 1991 (the "PERS Contract") and Article XXI, Section 2100 of the City Charter and the Public Employees' Retirement Law (commencing with Section 20000 of the California Government Code) (collectively, the "PERS Retirement Law"), to make payments to PERS to fund pension benefits for certain City employees, as evidenced by such Contract; and

WHEREAS, the City is authorized pursuant to Article I, Section 109 of the City Charter and Article 11 (commencing with Section 53580) of the California Government Code (the "Bond Law") to issue bonds for the purpose of refunding the PERS Contract; and

WHEREAS, for the purpose of refunding the PERS Contract, the City previously issued its City of Long Beach Pension Obligation Refunding Bonds, Series 1995 (Federally Taxable) (the "Series 1995 Bonds") pursuant to the Bond Law and the Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), between the City and the Trustee; and

WHEREAS, for the purpose of advance refunding a portion of the Series 1995 Bonds to their final maturity dates, the City previously issued its City of Long Beach, California Taxable Pension Obligation Refunding Bond, Series 2002A (Auction Rate Securities) (the "Series 2002A Bonds"), pursuant to the Bonds Law, the Original Trust Agreement and the First Supplemental Trust Agreement, dated as of August 1, 2002 (the "First Supplemental Trust Agreement"), between the City and the Trustee; and

WHEREAS, the First Supplemental Trust Agreement was previously amended and supplemented pursuant to the Third Supplemental Trust Agreement, dated as of December [14], 2005 (the "Third Supplemental Trust Agreement"), between the City and the Trustee; and

WHEREAS, the Series 2002A Bonds were originally issued as Auction Rate Securities (as such term is defined in the First Supplemental Trust Agreement) and the City has determined that it is in its best interests to convert \$[37,750,000] aggregate principal amount of the Outstanding Series 2002A Bonds to Fixed Rate Bonds (as such term is defined in the First Supplemental Trust Agreement) on December 30, 2005 (the "Fixed Rate Conversion Date"); and

WHEREAS, in accordance with the terms of the First Supplemental Trust Agreement, as amended and supplemented by the Third Supplemental Trust Agreement, the Series 2002A Bonds were remarketed as Fixed Rate Bonds on the Fixed Rate Conversion Date; and

WHEREAS, pursuant to Section 7.01 of the Original Trust Agreement, the City may, from time to time, execute and deliver Supplemental Trust Agreements, supplementing and/or amending the Original Trust Agreement and/or any Supplemental Trust Agreements, to modify, amend or supplement the Original Trust Agreement and/or any Supplemental Trust Agreement, in any manner that does not materially adversely affect the interest of the holders of the Bonds (as defined in the Original Trust Agreement); and

WHEREAS, in connection with the remarketing and conversion of the Series 2002A Bonds as and to Fixed Rate Bonds on the Fixed Rate Conversion Date, the City has determined that certain provisions of the First Supplemental Trust Agreement need to be supplemented and amended in order to provide for, among other things, the authentication and delivery of the Series 2002A Bonds and the terms of the Series 2002A Bonds upon their conversion to Fixed Rate Bonds; and

WHEREAS, all acts and proceedings required by law and by the terms of the First Supplemental Trust Agreement necessary to convert the Series 2002A Bonds to Fixed Rate Bonds on the Fixed Rate Conversion Date, have been done and taken, and the execution and delivery of this Fifth Supplemental Trust Agreement have been in all respects duly authorized; and

NOW, THEREFORE, THIS FIFTH SUPPLEMENTAL TRUST AGREEMENT WITNESSETH that the City and the Trustee have agreed and covenanted and hereby agree as follows, each for the benefit of the other and/or the benefit of the holders of the Series 2002A Bonds:

## ARTICLE I

### DEFINITIONS AND ADDITIONAL DEFINITIONS

**Section 1.01. Definitions.** Unless otherwise specifically provided in the recitals hereto or in Section 1.02 below the capitalized terms used in this Fifth Supplemental Trust Agreement shall have the meanings ascribed to them in the Original Trust Agreement and the First Supplemental Trust Agreement.

**Section 1.02. Additional Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.02 shall have the meanings herein specified for all purposes of this Fifth Supplemental Trust Agreement (including all Exhibits attached hereto), and for all purposes of any Series 2002A Bond, opinion, request or other document mentioned herein, in the Original Trust Agreement or the First Supplemental Trust Agreement:

*“Authorized Denominations”* means \$5,000 and any integral multiple of \$5,000.

*“Comparable Treasury Issue”* means, with respect to any Redemption Date for a particular Series 2002A Bond, the United States Treasury security or securities selected by the



Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Series 2002A Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2002A Bonds to be redeemed.

*“Comparable Treasury Price”* means, with respect to any Redemption Date for a particular Series 2002A Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such Redemption Date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (ii) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

*“Dated Date”* means the date of original delivery of the Series 2002A Bonds (August 15, 2002).

*“Depository”* means (a) initially, DTC; and (b) any other Securities Depository acting as Depository pursuant to Section 2.10 of this Fifth Supplemental Trust Agreement.

*“Designated Investment Banker”* means one of the Reference Treasury Dealers appointed by the City.

*“Fixed Rate Conversion Date”* means December 30, 2005.

*“Interest Payment Date”* means each March 1 and September 1 (or the next succeeding Business Day if any such day is not a Business Day), commencing on March 1, 2006.

*“Maturity Date”* means the applicable maturity date of each Series 2002A Bond, as set forth in Section 2.04 hereof.

*“Principal Office”* means the address stated as such for the Trustee and any other fiduciary, agent or service provider as provided in this Fifth Supplemental Trust Agreement or in the First Supplemental Trust Agreement except that with respect to presentation of Series 2002A Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

*“Redemption Price”* means the principal, premium, if any, and accrued interest to the applicable Redemption Date on which all or any portion of the Series 2002A Bonds are subject to optional or mandatory sinking fund redemption pursuant to the provisions of Section 2.05 of this Fifth Supplemental Trust Agreement.

*“Reference Treasury Dealer”* means an investment banking institution of national standing, specified by the City from time to time, that are primary U.S. Government securities dealers in New York City (which may be Citigroup Global Markets Inc. and/or Bear, Stearns & Co. Inc.) (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City shall substitute another Primary Treasury Dealer.

*“Reference Treasury Deal Quotations”* means, with respect to each Reference Treasury Dealer and any Redemption Date for a particular Series 2002A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such Redemption Date.

*“Registration Books”* means the registration books maintained by the Trustee pursuant to Section 2.08 of the Original Trust Agreement.

*“Regular Record Date”* means, with respect to an Interest Payment Date, the fifteenth (15<sup>th</sup>) day of the month immediately preceding such Interest Payment Date.

*“Special Record Date”* means a special date fixed to determine the names and addresses of Owners of the Series 2002A Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in Section 2.04 of this Fifth Supplemental Trust Agreement.

*“Treasury Rate”* means, with respect to any Redemption Date for a particular Series 2002A Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the Redemption Date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

## ARTICLE II

### THE SERIES 2002A BONDS (ON AND AFTER THE FIXED RATE CONVERSION DATE)

**Section 2.01. Applicability.** On and after the Fixed Rate Conversion Date, the terms of the Series 2002A Bonds shall be subject to the provisions of this Article II and shall no longer be subject to the provisions of Article II of the First Supplemental Trust Agreement.

**Section 2.02. Authorization and Designation.** The City has reviewed all proceedings heretofore taken relative to the original issuance and the subsequent conversion to Fixed Rate Bonds of the authorization of the Series 2002A Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the original issuance and conversion of the Series 2002A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the City is now duly authorized, pursuant to each and every requirement of the Bond Law, to convert the Series 2002A Bonds to Fixed Rate Bonds in the form and manner and for the purposes provided in the Original Trust Agreement, the First Supplemental Trust Agreement and herein and that the Series 2002A Bonds shall continue to be entitled to the benefit, protection and security of the provisions the Trust Agreement.

On the Fixed Rate Conversion Date, the Trustee is hereby authorized and directed, upon a Written Request of the City, to register, authenticate and deliver Series 2002A Bonds in an aggregate principal amount of \$[37,750,000]. On and after the Fixed Rate Conversion Date, the Series 2002A Bonds shall be designated as "City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002A."

**Section 2.03. Date; Initial Accrual of Interest.** The Series 2002A Bonds shall be dated the Dated Date. Interest with respect to any Series 2002A Bond shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (a) it is executed on an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (b) it is executed after a Regular Record Date and on or before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (c) it is executed on or before the first Regular Record Date, in which event interest with respect thereto shall be payable from the Dated Date; provided, however, that if, as of the date of execution of any Series 2002A Bond, interest is in default with respect to any Outstanding Series 2002A Bond, interest on such Series 2002A Bond shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Series 2002A Bonds.

**Section 2.04. Maturity, Interest Rates and Payment Terms.** The Series 2002A Bonds shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the following schedule:

<b>Maturity (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
	\$	%

The Series 2002A Bonds shall bear interest at the rates (based on a 360-day year of twelve 30-day months) set forth above, payable on March 1, 2006, and semiannually thereafter on March 1 and September 1 in each year. Interest on the Series 2002A Bonds shall be payable in lawful money of the United States of America. Payment of interest on the Series 2002A Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the Registration Books as the registered owner thereof as of the close of business on the Regular Record Date for an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed on the Interest Payment Date by first-class mail to such registered owner at the address as it appears in such books; provided that upon

the written request of a Holder of \$1,000,000 or more in aggregate principal amount of Series 2002A Bonds received by the Trustee prior to the applicable Regular Record Date, interest shall be paid by wire transfer in immediately available funds. Any such written request shall remain in effect until rescinded in writing by the Holder.

Notwithstanding the provisions of the previous paragraph, payments of interest on the Series 2002A Bonds due on or before the maturity or prior redemption thereof, shall be made by wire transfer of immediately available funds to the Depository while the Series 2002A Bonds are in book-entry form unless such method of payment shall have been modified by written agreement among the Trustee and the Depository.

The principal or Redemption Price of the Series 2002A Bonds shall be payable in lawful money of the United States of America at the Principal Office of the Trustee. Principal and Redemption Price with respect to a Series 2002A Bond shall be payable only upon presentation and surrender of such Series 2002A Bond at the Principal Office of the Trustee; provided, however, that payments of principal and Redemption Price with respect to Series 2002A Bonds at maturity or upon redemption, shall be made by wire transfer of immediately available funds to the Depository while the Series 2002A Bonds are in book-entry form unless such method of payment shall have been modified by written agreement among the Trustee and the Depository.

The Trustee shall determine not later than 2:00 p.m., New York City time, on the Business Day next succeeding each Interest Payment Date, whether a Payment Default has occurred. Defaulted Interest with respect thereto shall forthwith cease to be payable to the Depository and any Depository System Participants for the benefit of their respective Beneficial Owners as of the relevant Regular Record Date by virtue of having been such Beneficial Owners but such Defaulted Interest shall continue to accrue, and if and when money becomes available for the payment of such interest, the Trustee shall establish a Special Record Date for the payment of such interest, which date shall be not more than 15 nor fewer than 10 days before the proposed payment date, and shall give notice by first-class mail of the pending payment and the Special Record Date and, on the proposed payment date, such interest shall be payable to the Owners of the Series 2002A Bonds as of the close of business on such Special Record Date.

#### **Section 2.05. Redemption of Series 2002A Bonds.**

(a) ***Optional Redemption.*** The Series 2002A Bonds shall subject to redemption prior to maturity, at the option of the City, from any source available for such purpose, in whole or in part on any date, in such order of maturity as the City shall determine, at a Redemption Price equal to the greater of:

(i) one-hundred percent (100%) of the principal amount of the Series 2002A Bonds to be redeemed; or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2002A Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus [12.5] basis points,

plus in each case, accrued and unpaid interest on the Series 2002A Bonds being redeemed to the date fixed for redemption.

(b) **Mandatory Sinking Fund Redemption.** The Series 2002A Bonds maturing on September 1, 20\_\_ shall be subject to mandatory sinking fund redemption prior to maturity, in part (as described below), on September 1 of each year, commencing on September 1, 20\_\_, at a Redemption Price equal to 100% of the principal amount of the Series 2002A Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption, in the aggregate principal amounts in the respective years as follows:

<b>Mandatory Redemption Dates (September 1)</b>	<b>Principal Amount</b>
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\* Final Maturity Date

(c) **Selection of Series 2002A Bonds for Redemption.**

(i) If less than the total amount of the Series 2002A Bonds Outstanding are redeemed, the Series 2002A Bonds to be redeemed shall be selected by the City; provided, however, if less than all of the Series 2002A Bonds of a given maturity are redeemed, the Series 2002A Bonds of such maturity to be redeemed shall be redeemed on a pro rata basis. "Pro rata" is determined, in connection with any optional or mandatory sinking fund redemption, in part, by multiplying the principal amount of the Series 2002A Bonds of such maturity to be redeemed on the applicable Redemption Date by a fraction, the numerator of which is equal to the principal amount of the Series 2002A Bonds of such maturity owned by an Owner, and the denominator of which is equal to the total amount of the Series 2002A Bonds of such maturity then Outstanding immediately prior to such Redemption Date, and then rounding the product down to the next lower integral multiple of \$5,000, provided that the portion of any Series 2002A Bonds to be redeemed are required to be in Authorized Denominations and all Series 2002A Bonds of a maturity to remain outstanding following any redemption are required to be in Authorized Denominations.

So long as there is a Securities Depository for the Series 200A Bonds, there will be only one registered Owner and neither the City nor the Trustee will have responsibility for prorating partial redemptions among Beneficial Owners of the Series 2002A Bonds.

(ii) If it is determined that less than all of the principal amount of Series 2002A Bonds of a given maturity shall be redeemed, then, upon notice of intention to redeem such Series 2002A Bonds, the Owner of such Series 2002A Bond (except with respect to Series 2002A Bonds registered to the Depository or its Nominee, in which case a notation as to the amount redeemed may be made on such Series 2002A Bond) shall promptly surrender such Series 2002A Bond to the Trustee for:

(A) payment to such Owner of the Redemption Price of the principal amount of Series 2002A Bonds called for redemption, and

(B) delivery to such Owner of a new Series 2002A Bond in the aggregate principal amount of the unprepaid principal balance, without charge therefor in accordance with Section 2.05(e) hereof.

(iii) If the Owner of any Series 2002A Bond fails to present such Series 2002A Bond to the Trustee for payment, such Series 2002A Bond nevertheless shall become due and payable on the date fixed for redemption to the extent of the amount of principal called for redemption, and interest shall cease to accrue with respect to such principal.

(d) ***Notice of Redemption.***

(i) **When, how and to whom notices are to be sent.** Whenever redemption is authorized or required, the Trustee shall give notice of the redemption by first-class mail, postage paid, not less than 30 nor more than 60 days prior to the Redemption Date, to the respective Owners of any Series 2002A Bonds designated for redemption at their addresses appearing in the Registration Books; provided, however, that failure to give such notice by mailing or a defect in the notice or the mailing as to any Series 2002A Bonds will not affect the validity of any proceedings for redemption as to any other Series 2002A Bonds for which notice was properly given to the Owner thereof. Additionally, on the date on which the notice of redemption is mailed to the Owners of the Series 2002A Bonds pursuant to the provisions of this Section such notice of redemption shall be given by first class mail, confirmed facsimile transmission, or overnight delivery service to each of the Securities Depositories and to one or more of the Information Services as shall be designated in writing by the City to the Trustee and to any additional Information Services as determined by the City.

So long as there is a Securities Depository for the Series 200A Bonds, notice of any redemption of the Series 2002A Bonds will be sent by the Trustee only to such Securities Depository.

(ii) **Content of notices.** Each notice of redemption shall specify any descriptive information needed to identify accurately the Series 2002A Bonds being redeemed and as requested by the City, including:

(A) the Redemption Date;

(B) the Redemption Price;

(C) if less than all Outstanding Series 2002A Bonds are to be redeemed, the CUSIP numbers and the Series 2002A Bonds numbers of the Series 2002A Bonds to be redeemed;

(D) if a partial redemption, the respective principal amounts of the Series 2002A Bonds to be redeemed;

(E) that on the Redemption Date the Redemption Price will become due and payable with respect to each such Series 2002A Bond or portion thereof called for redemption, and that interest with respect thereto will cease to accrue from and after said date; and

(F) the place where such Series 2002A Bonds will be surrendered for payment of the Redemption Price; and

(G) that such redemption is conditional upon there being on deposit with the Trustee (by 10:00 a.m., Los Angeles time, on the date fixed for redemption) an amount sufficient to pay the Redemption Price, and that if such amount is not on deposit with the Trustee at such time, such notice shall be of no force or effect, such Series 2002A Bonds shall not be redeemed and the Trustee shall give notice in the manner in which notice of redemption was given, that such redemption did not occur, whereupon the Trustee shall promptly return to the Owners thereof the Series 2002A Bonds previously received by the Trustee for redemption.

(iii) **Effect of notices.** Notice having been given in the manner provided in this Section 2.05, the Series 2002A Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, and upon presentation and surrender thereof at the Principal Office specified in such notice, together with in the case of Series 2002A Bonds presented by other than the registered Owner, a written instrument of transfer satisfactory to the Trustee, duly executed.

(iv) **Notices conclusive.** Neither the failure by any Owner to receive any notice mailed pursuant to this Section 2.05 nor any defect therein shall affect the validity of the proceedings for the redemption of such Series 2002A Bonds or the cessation of the accrual of interest with respect to such Series 2002A Bonds from and after the Redemption Date.

(e) **Partially Redeemed Series 2002A Bonds.** Upon surrender of any Series 2002A Bond redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Series 2002A Bond or Series 2002A Bonds of Authorized Denominations then applicable, equal in aggregate principal amount to the unpaid portion of the Series 2002A Bond surrendered and of the same interest rate and the same maturity.

(f) **Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the Redemption Price of the Series 2002A Bonds so called for redemption shall have been duly provided, such Series 2002A Bonds so called shall cease to be entitled to any benefit under the Trust Agreement other than the right to receive payment of the principal and interest accrued to the Redemption Date, and premium, if any, and no interest shall accrue with respect thereto from and after the Redemption Date specified in the notice of such redemption. All Series 2002A Bonds redeemed in whole or in part pursuant to the provisions of this Section 2.05 shall be canceled by the Trustee and destroyed, and the Trustee shall certify in writing as to their destruction. If such funds shall not be so available on the Redemption Date, interest with respect to such Series 2002A Bonds or portions thereof shall continue to accrue until paid at the same rate as it would have accrued had they not been called for redemption.

**Section 2.06. Form of the Series 2002A Bonds.** The Series 2002A Bonds shall be delivered in the form of fully registered bonds without coupons in Authorized Denominations. The Series 2002A Bonds shall be assigned such alphabetical and numerical designations as shall be deemed appropriate by the Trustee. Series 2002A Bonds converted to Fixed Rate Bonds shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein.

**Section 2.07. Execution of Bonds.** The Series 2002A Bonds shall be executed by and in the name of the City and on its behalf by the manual or facsimile signature of the Mayor or the City Manager of the City and countersigned by the manual or facsimile signature of the City Clerk. If any officer or signatory whose signature appears on any Series 2002A Bond ceases to be such officer or signatory before the date of delivery of said Series 2002A Bond, such signature shall nevertheless be as effective as if the officer or signatory had remained in office until such date. Only those Series 2002A Bonds bearing thereon a certificate of authentication in the form set forth in Exhibit A attached hereto recited, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security under the Trust Agreement or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Series 2002A Bonds so authenticated have been duly authorized, executed, issued and delivered under the Trust Agreement and are entitled to the benefit, protection and security of the Trust Agreement.

**Section 2.08. Transfer and Exchange of Series 2002A Bonds.**

(a) **Transfer of Series 2002A Bonds.** The registration of any Series 2002A Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in Person or by his attorney duly authorized in writing upon surrender of such Series 2002A Bond for cancellation at the Principal Office of the Trustee accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee duly executed. Whenever any Series 2002A Bond or Series 2002A Bonds shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Series 2002A Bond or Series 2002A Bonds for a like aggregate principal amount in Authorized Denominations. The Trustee shall require the payment by the Owner of such Series 2002A Bond requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The cost of



printing any Series 2002A Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer shall be paid by the City. The Trustee shall not be required to transfer:

(i) any Series 2002A Bonds during the period between the date fifteen (15) days prior to the date of selection of Series 2002A Bonds for redemption and such date of selection, or

(ii) any Series 2002A Bonds selected for redemption.

(b) **Exchange of Series 2002A Bonds.** Series 2002A Bonds may be exchanged, upon surrender thereof, at the Principal Office of the Trustee for a like aggregate principal amount of Series 2002A Bonds in Authorized Denominations of the same maturity. Whenever any Series 2002A Bond or Series 2002A Bonds shall be surrendered for exchange, the Trustee shall execute and deliver a new Series 2002A Bond or Series 2002A Bonds for like aggregate principal amount in Authorized Denominations. The Trustee shall require the payment by the Owner of such Series 2002A Bond requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing any Series 2002A Bonds and any services rendered or any expenses incurred by the Trustee in connection with any exchange shall be paid by the City. The Trustee shall not be required to exchange:

(i) any Series 2002A Bonds during the period between the date fifteen (15) days prior to the date of selection of Series 2002A Bonds for redemption and such date of selection, or

(ii) any Series 2002A Bonds selected for redemption.

**Section 2.09. CUSIP Numbers.** The Trustee and the City shall not be liable for any defect or inaccuracy in any CUSIP number that appears on any Series 2002A Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Series 2002A Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee nor the City shall be liable for any inaccuracies in such numbers.

**Section 2.10. Book-Entry Only System.**

(a) **Original delivery.** The Series 2002A Bonds shall be delivered initially and upon the conversion of the Series 2002A Bonds to Fixed Rate Bonds in the form of a separate single fully registered Series 2002A Bond for each maturity of the Series 2002A Bonds. Upon initial delivery and upon the conversion of the Series 2002A Bonds to Fixed Rate Bonds, the ownership of each such Series 2002A Bond shall be registered on the Registration Books in the name of the Nominee. Except as provided in paragraph (c) below, the ownership of all of the Outstanding Series 2002A Bonds shall be registered in the name of the Nominee on the Registration Books.

(b) **Depository, Nominee.** With respect to Series 2002A Bonds, the ownership of which shall be registered in the name of the Nominee, the City and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any Person on behalf of which the Nominee or the Depository System Participant holds an interest in the Series 2002A Bonds. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to:

(i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Series 2002A Bonds;

(ii) the delivery to any Depository System Participant or any other Person, other than a Series 2002A Bond Owner as shown in the Registration Books, of any notice or the timeliness thereof, including any notice of redemption; or

(iii) the payment to any Depository System Participant or any other Person, other than a Series 2002A Bond Owner as shown in the Registration Books, of any amount with respect to principal or interest or redemption premium, if any.

The City and the Trustee may treat and consider the Person in whose name each Series 2002A Bond is registered as the absolute Owner of such Series 2002A Bond for the purpose of payment of principal and interest and premium, if any, with respect to such Series 2002A Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2002A Bond, for the purpose of registering transfers of ownership of such Series 2002A Bond, and for all other purposes whatsoever. The Trustee shall pay the principal and interest and premium, if any, only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal and interest and premium, if any, to the extent of the sum or sums so paid. Upon delivery by the Depository to the Trustee of written notice to the effect that the Depository has determined to substitute a new Nominee, and subject to the provisions of Section 2.08 of this Fifth Supplemental Trust Agreement with respect to transfers, the words "Cede & Co." in the Series 2002A Bonds shall refer to the new Nominee of the Depository.

(c) **Transfers outside book-entry system.** The Depository may determine to discontinue providing its services at any time by giving notice to the City and the Trustee and discharging its responsibilities with respect thereto under applicable law. The Trustee shall notify the City in the event any such notice is received from the Depository. The City, at the request or with the consent of the Depository and without the consent of any other Person may terminate the services of the Depository if the City or the Depository determines that:

(i) the Depository is unable to discharge its responsibilities with respect to the Series 2002A Bonds, or

(ii) a continuation of the requirement that all of the Outstanding Series 2002A Bonds be registered in the Registration Books in the name of the Nominee, or any other nominee of the Depository, is not in the best interest of the Beneficial Owners of the Series 2002A Bonds.

Upon the termination of the services of the Depository pursuant to subparagraph (ii) immediately above, or upon any other discontinuance or termination of the services of the Depository with respect to the Series 2002A Bonds after which no substitute securities depository willing to undertake the functions of the Depository hereunder can be found which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, the Trustee is obligated to deliver Series 2002A Bonds at the expense of the Beneficial Owners of the Series 2002A Bonds, as described in this Fifth Supplemental Trust Agreement, and the Series 2002A Bonds shall no longer be restricted to being registered in the Registration Books in the name of the Nominee of the Depository, but may be registered in whatever name or names the Owners of the Series 2002A Bond transferring or exchanging Series 2002A Bonds shall designate, in accordance with the provisions of Section 2.08 of this Fifth Supplemental Trust Agreement.

(d) *Payments and notices.* Notwithstanding any other provision of this Fifth Supplemental Trust Agreement or the First Supplemental Trust Agreement to the contrary, so long as any Series 2002A Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest evidenced by such Series 2002A Bond and all notices with respect to such Series 2002A Bond shall be made and given, respectively, in the manner prescribed by the Depository from time to time. Owners of the Series 2002A Bonds shall have no lien or security interest in any rebate or refund paid by the Depository to the Trustee or the City which arises from the payment by the Trustee of principal or interest evidenced by the Series 2002A Bonds in immediately available funds to the Depository.

(e) *Deliveries.* So long as Cede & Co. is the sole registered Owner of the Series 2002A Bonds, all deliveries of Series 2002A Bonds under the provisions of this Fifth Supplemental Trust Agreement shall be made pursuant to DTC's procedures as in effect from time to time, and neither the City nor the Trustee shall have any responsibility for or liability with respect to the implementation of such procedures.

### ARTICLE III

#### AMENDMENTS TO ARTICLE IV OF THE FIRST SUPPLEMENTAL TRUST AGREEMENT

**Section 3.01. Amendment to Section 4.01.** Section 4.01 of the First Supplemental Trust Agreement is hereby amended and restated in full to read as follows:

“Section 4.01. Debt Service Payments; Payment of Fees. In order to provide for the payment of principal and interest on the Series 2002A Bonds when due, the City shall deposit or cause to be deposited with the Trustee on or before October 30 of each year the amount of interest due with respect to the Series 2002A Bonds on the next succeeding March 1 and September 1 and the amount of principal (including any mandatory sinking fund redemption payments) due with respect to the Series 2002A Bonds on the next succeeding September 1, as required by Section 4.01 of the Original Trust Agreement [; provide, however, the City shall deposit or cause to be deposited with the Trustee on the Fixed Rate Conversion Date amounts sufficient to pay the interest due on the Series 2002A Bonds on the next succeeding March 1 and September 1 immediately following the Fixed Rate Conversion Date (or the interest due on the Series 2002A Bonds on the next succeeding September 1 immediately following the Fixed Rate Conversion Date if such Fixed Rate Conversion Date is on a date after March 1 but prior to September 1) and the principal due on the Series 2002A Bonds on the next succeeding September 1 immediately following the Fixed Rate Conversion Date.]

All amounts payable under this Section shall be deposited by the Trustee in the Bond Fund and applied as set forth in Section 4.02 of the Original Trust Agreement; provided that the Trustee shall create within the Bond Fund (in addition to the other Accounts created therein) a Fees Account and upon the receipt of moneys designated by the City to be deposited therein for the payment of fees, and prior to the deposit of any moneys to the Surplus Account, the Trustee shall set aside from the Bond Fund and deposit in the Fees Account that amount of money which is equal to the aggregate amount of the Trustee’s fee that the Trustee is instructed to pay by the City. No deposit need be made in the Fees Account if the amount contained therein is at least equal to the aggregate amount of Trustee fees becoming due and payable. All moneys in the Fees Account shall be used and withdrawn by the Trustee solely for the purpose of paying any Trustee fees with respect to the Series 2002A Bonds as they shall become due and payable.”

**Section 3.02. Amendment to Section 4.02.** Section 4.02 of the First Supplemental Trust Agreement is hereby amended with the addition of a subsection (c) to read as follows:

“(c) for each Fiscal Year from and after the Fixed Rate Conversion Date, an amount equal to the sum of the principal (including any mandatory sinking fund redemption payments) becoming due during such Fiscal Year plus the interest (calculated at the rates set forth in Section 2.04 hereof) becoming due during such Fiscal Year.”

## ARTICLE IV

### AMENDMENTS TO ARTICLE V OF THE FIRST SUPPLEMENTAL TRUST AGREEMENT

**Section 4.01. Amendment to Section 5.02(d).** The third sentence of Section 5.02(d) of the First Supplemental Trust Agreement is hereby amended and restated in full to read as follows:

“Such amounts shall be disbursed by the Trustee to the Owners of the Series 2002A Bonds in the same manner as principal and interest payments are to be made with respect to the

Series 2002A Bonds under the sections of this First Supplemental Trust Agreement and the Fifth Supplemental Trust Agreement, regarding payment of the Series 2002A Bonds.”

## ARTICLE V

### MISCELLANEOUS

**Section 5.01. Severability.** If any provisions of this Fifth Supplemental Trust Agreement shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

**Section 5.02. Execution in Several Counterparts.** This Fifth Supplemental Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 5.03. Provisions of the Trust Agreement not Otherwise Modified.** Except as specifically amended and supplemented by this Fifth Supplemental Trust Agreement, the Original Trust Agreement and the First Supplemental Trust Agreement are hereby ratified, approved and confirmed and remain in full force and effect.

**Section 5.04. Governing Law.** This Fifth Supplemental Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

**Section 5.05. Effective Date.** This Fifth Supplemental Trust Agreement shall be effective upon the execution hereof by the parties hereto.

[End of Fifth Supplemental Trust Agreement]

IN WITNESS WHEREOF, the City has caused this Fifth Supplemental Trust Agreement to be executed in its name by the City Manager of the City and the Trustee has caused this Fifth Supplemental Trust Agreement to be executed in its name by its duly authorized officer all as of the day and year first above written.

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
City Manager

Attest:

By \_\_\_\_\_  
City Clerk

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

By \_\_\_\_\_  
Authorized Signatory

[Signature page to Fifth Supplemental Trust Agreement]

**EXHIBIT A**

**FORM OF BOND**

City of Long Beach, California  
Taxable Pension Obligation Refunding Bonds  
Series 2002A

No. R- \_\_\_\_\_

\$ \_\_\_\_\_

[UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE HEREINAFTER DEFINED FIRST SUPPLEMENTAL TRUST AGREEMENT) TO THE TRUSTEE (AS HEREINAFTER DEFINED) FOR REGISTRATION OF, TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SERIES 2002A BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

THE OBLIGATIONS OF THE CITY HEREUNDER INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED OR PERMITTED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED OR WILL LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE SERIES 2002A BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE SERIES 2002A BONDS CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**Interest Rate**

**Maturity Date**

**Original Issue Date**

**CUSIP**

REGISTERED HOLDER: \_\_\_\_\_

PRINCIPAL SUM: \_\_\_\_\_ Dollars

The City of Long Beach, a municipal corporation and charter city organized and existing under and pursuant to the City charter and the Constitution of the State of California (the "City"), for value received, hereby promises to pay to the Registered Holder identified above or

registered assigns, on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for) the Principal Sum specified above in lawful money of the United States of America. The Registered Holder is also entitled to receive, subject to the terms of the Trust Agreement (as hereinafter defined), on March 1, 2006 and thereafter on each March 1 and September 1 thereafter (each an "Interest Payment Date"), to and including the Maturity Date or any date of redemption, whichever is earlier, the interest coming due with respect to this Bond at the Interest Rate per annum specified above; provided, however, that interest on such principal amount shall be payable from the Interest Payment Date next preceding the date of execution of this Bond unless: (i) this Bond is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) this Bond is executed after a Regular Record Date (as defined below in this paragraph), in which event interest with respect thereto shall be payable from such Interest Payment Date, or (iii) this Bond is executed on or before the first Regular Record Date, in which event interest with respect thereto shall be payable from December 30, 2005. "Regular Record Date" means, with respect to an Interest Payment Date, the fifteenth (15<sup>th</sup>) day of the month immediately preceding such Interest Payment Date.

Interest due on or before the maturity of this Bond shall be payable only by check mailed on each Interest Payment Date to the Registered Holder hereof; provided that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of Series 2002A Bonds received by the Trustee prior to the applicable record date, interest shall be paid by wire transfer in immediately available funds. The principal hereof is payable in lawful money of the United States of America at the Principal Office of The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company) (together with any successor trustee, herein called the "Trustee"), in Los Angeles, California (or at the principal corporate office of any successor trustee), which address is set forth in the Trust Agreement (as hereinafter defined), as such address may be changed from time to time in accordance with the provisions of the Trust Agreement.

This Bond is one of a duly authorized issue of bonds of the City designated as its "Taxable Pension Obligation Refunding Bonds, Series 2002A in original aggregate principal amount of \$44,000,000, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of Article I, Section 109 of the City Charter and Article 11 (commencing with Section 53580 of the California Government Code), and all laws amendatory thereof or supplemental thereto (the "Bond Law") and under and pursuant to the provisions of a trust agreement, dated as of October 1, 1995 (the "Original Trust Agreement") as supplemented by the First Supplemental Trust Agreement, dated as of August 1, 2002, the Third Supplemental Trust Agreement, dated as of December [ ], 2005, and the Fifth Supplemental Trust Agreement, dated as of December 30, 2005, each between the City and Trustee (the Original Trust Agreement, the First Supplemental Trust Agreement, the Third Supplemental Trust Agreement and the Fifth Supplemental Trust Agreement are collectively referred to herein as the "Trust Agreement") (copies of which are on file at the Principal Office of the Trustee, as set forth in the First Supplemental Trust Agreement or such other place as is designated by the Trustee).

Under the Trust Agreement, Additional Bonds and other obligations may be issued on a parity with the Series 2002A Bonds, but subject to the conditions and upon compliance with the



procedures set forth in the Trust Agreement. The Series 2002A Bonds and any bonds or other obligations issued on a parity with the Series 2002A Bonds are obligations imposed by law payable from funds to be appropriated by the City pursuant to Article XXI, Section 2100 of the City Charter and Section 20000 of the California Government Code (the "Retirement Law"). Reference is hereby made to the Bond Law and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Series 2002A Bonds are issued, the rights of the Registered Holders of the Series 2002A Bonds, security for payment of the Series 2002A Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the Registered Holders of the Series 2002A Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the City and the Registered Holder of this Bond, to all the provisions of which the Registered Holder of this Bond, by acceptance hereof, agrees and consents.

The Series 2002A Bonds are subject to redemption prior to their maturity, at the option of the City, from any source available for such purpose, in whole or in part on any date, in such order of maturity as the City determines, at a redemption price equal to the greater of:

(a) One-hundred percent (100%) of the principal amount of the Series 2002A Bonds to be redeemed; or

(b) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2002A Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus [12.5] basis points,

plus in each case, accrued and unpaid interest on the Series 2002A Bonds being redeemed to the date fixed for redemption.

For the purpose of determining the Treasury Rate, the following definitions will apply:

"Treasury Rate" means, with respect to any redemption date for a particular Series 2002A Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series 2002A Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Series 2002A Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2002A Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2002A Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (ii) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the City.

“Reference Treasury Dealer” means an investment banking institution of national standing, specified by the City from time to time, that are primary U.S. Government securities dealers in New York City (which may be Citigroup Global Markets Inc. and/or Bear, Stearns & Co. Inc.) (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City shall substitute another Primary Treasury Dealer.

“Reference Treasury Deal Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2002A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.

The Series 2002A Bonds maturing on September 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity in part on September 1 of each year on and after September 1, 20\_\_, by lot, from mandatory sinking fund payments in the amounts and on the dates set forth in the Fifth Supplemental Trust Agreement, at a Redemption Price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

If an Event of Default, as defined in the Trust Agreement, shall occur, the principal of all Series 2002A Bonds (and any additional bonds authorized by the Trust Agreement) may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; except that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond may be transferred or exchanged only on a register to be kept for that purpose at the Principal Office of the Trustee (as defined in the Fifth Supplemental Trust Agreement), as the same may change from time to time by designation of the Trustee as provided in the Trust Agreement by the Registered Holder hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Holder or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of Authorized Denominations will be issued to the transferee in exchange therefor. The City and the Trustee may deem and treat the Registered

Holder hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the City nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal and premium, if any, of this Bond shall be made only to such Registered Holder, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Series 2002A Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the City of Long Beach has caused this Bond to be executed in its name and on its behalf by the [manual/facsimile] signature of the [City Manager of the City] and countersigned by the [manual/facsimile] signature of the City Clerk, and has caused this Bond to be dated as of the Original Issue Date specified above.

CITY OF LONG BEACH

By \_\_\_\_\_  
City Manager

[SEAL]

Countersigned:

By \_\_\_\_\_  
City Clerk

## STATEMENT OF INSURANCE

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), Los Angeles, California, or its successor, as paying agent for the Series 2002A Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

**[FORM OF CERTIFICATE OF AUTHENTICATION]**

This is one of the Bonds described in the within mentioned Trust Agreement which has been authenticated on \_\_\_\_\_,

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

By \_\_\_\_\_  
Authorized Signatory

**[FORM OF ASSIGNMENT]**

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature guaranteed:

(NOTE: Signature(s) guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or such other guarantee program acceptable to the Trustee.)

**SIXTH SUPPLEMENTAL TRUST AGREEMENT**

between the

**CITY OF LONG BEACH, CALIFORNIA**

and

**THE BANK OF NEW YORK TRUST COMPANY, N.A.,**  
as Trustee

Relating to:

City of Long Beach, California  
Taxable Pension Obligation Refunding Bonds  
Series 2002B

Dated as of December 30, 2005

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## SIXTH SUPPLEMENTAL TRUST AGREEMENT

This **SIXTH SUPPLEMENTAL TRUST AGREEMENT** is made and entered into as of December 30, 2005 (this "Sixth Supplemental Trust Agreement"), between the **CITY OF LONG BEACH, CALIFORNIA** (the "City"), a municipal corporation and charter city duly organized and existing under its charter and laws of the State of California, and **THE BANK OF NEW YORK TRUST COMPANY, N.A.** (formerly known as BNY Western Trust Company), a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"):

### WITNESSETH:

WHEREAS, the City is obligated pursuant to a contract between the Board of Administration of the Public Employees' Retirement System ("PERS") and the City Council of the City, effective July 1, 1950, as amended and restated as of July 19, 1991 (the "PERS Contract") and Article XXI, Section 2100 of the City Charter and the Public Employees' Retirement Law (commencing with Section 20000 of the California Government Code) (collectively, the "PERS Retirement Law"), to make payments to PERS to fund pension benefits for certain City employees, as evidenced by such Contract; and

WHEREAS, the City is authorized pursuant to Article I, Section 109 of the City Charter and Article 11 (commencing with Section 53580) of the California Government Code (the "Bond Law") to issue bonds for the purpose of refunding the PERS Contract; and

WHEREAS, for the purpose of refunding the PERS Contract, the City previously issued its City of Long Beach Pension Obligation Refunding Bonds, Series 1995 (Federally Taxable) (the "Series 1995 Bonds") pursuant to the Bond Law and the Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), between the City and the Trustee; and

WHEREAS, for the purpose of advance refunding a portion of the Series 1995 Bonds to their final maturity dates, the City previously issued its City of Long Beach, California Taxable Pension Obligation Refunding Bond, Series 2002B (Auction Rate Securities) (the "Series 2002B Bonds"), pursuant to the Bonds Law, the Original Trust Agreement and the Second Supplemental Trust Agreement, dated as of August 1, 2002 (the "Second Supplemental Trust Agreement"), between the City and the Trustee; and

WHEREAS, the Second Supplemental Trust Agreement was previously amended and supplemented pursuant to the Fourth Supplemental Trust Agreement, dated as of December [14], 2005 (the "Fourth Supplemental Trust Agreement"), between the City and the Trustee; and

WHEREAS, the Series 2002B Bonds were originally issued as Auction Rate Securities (as such term is defined in the Second Supplemental Trust Agreement) and the City has determined that it is in its best interests to convert \$[37,700,000] aggregate principal amount of the Outstanding Series 2002B Bonds to Fixed Rate Bonds (as such term is defined in the Second Supplemental Trust Agreement) on December 30, 2005 (the "Fixed Rate Conversion Date"); and

WHEREAS, in accordance with the terms of the Second Supplemental Trust Agreement, as amended and supplemented by the Fourth Supplemental Trust Agreement, the Series 2002B Bonds were remarketed as Fixed Rate Bonds on the Fixed Rate Conversion Date; and

WHEREAS, pursuant to Section 7.01 of the Original Trust Agreement, the City may, from time to time, execute and deliver Supplemental Trust Agreements, supplementing and/or amending the Original Trust Agreement and/or any Supplemental Trust Agreements, to modify, amend or supplement the Original Trust Agreement and/or any Supplemental Trust Agreement, in any manner that does not materially adversely affect the interest of the holders of the Bonds (as defined in the Original Trust Agreement); and

WHEREAS, in connection with the remarketing and conversion of the Series 2002B Bonds as and to Fixed Rate Bonds on the Fixed Rate Conversion Date, the City has determined that certain provisions of the Second Supplemental Trust Agreement need to be supplemented and amended in order to provide for, among other things, the authentication and delivery of the Series 2002B Bonds and the terms of the Series 2002B Bonds upon their conversion to Fixed Rate Bonds; and

WHEREAS, all acts and proceedings required by law and by the terms of the Second Supplemental Trust Agreement necessary to convert the Series 2002B Bonds to Fixed Rate Bonds on the Fixed Rate Conversion Date, have been done and taken, and the execution and delivery of this Sixth Supplemental Trust Agreement have been in all respects duly authorized; and

NOW, THEREFORE, THIS SIXTH SUPPLEMENTAL TRUST AGREEMENT WITNESSETH that the City and the Trustee have agreed and covenanted and hereby agree as follows, each for the benefit of the other and/or the benefit of the holders of the Series 2002B Bonds:

## ARTICLE I

### DEFINITIONS AND ADDITIONAL DEFINITIONS

**Section 1.01. Definitions.** Unless otherwise specifically provided in the recitals hereto or in Section 1.02 below the capitalized terms used in this Sixth Supplemental Trust Agreement shall have the meanings ascribed to them in the Original Trust Agreement and the Second Supplemental Trust Agreement.

**Section 1.02. Additional Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.02 shall have the meanings herein specified for all purposes of this Sixth Supplemental Trust Agreement (including all Exhibits attached hereto), and for all purposes of any Series 2002B Bond, opinion, request or other document mentioned herein, in the Original Trust Agreement or the Second Supplemental Trust Agreement:

*“Authorized Denominations”* means \$5,000 and any integral multiple of \$5,000.

*“Comparable Treasury Issue”* means, with respect to any Redemption Date for a particular Series 2002B Bond, the United States Treasury security or securities selected by the

Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Series 2002B Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2002B Bonds to be redeemed.

*“Comparable Treasury Price”* means, with respect to any Redemption Date for a particular Series 2002B Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such Redemption Date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (ii) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

*“Dated Date”* means the date of original delivery of the Series 2002B Bonds (August 15, 2002).

*“Depository”* means (a) initially, DTC; and (b) any other Securities Depository acting as Depository pursuant to Section 2.10 of this Sixth Supplemental Trust Agreement.

*“Designated Investment Banker”* means one of the Reference Treasury Dealers appointed by the City.

*“Fixed Rate Conversion Date”* means December 30, 2005.

*“Interest Payment Date”* means each March 1 and September 1 (or the next succeeding Business Day if any such day is not a Business Day), commencing on March 1, 2006.

*“Maturity Date”* means the applicable maturity date of each Series 2002B Bond, as set forth in Section 2.04 hereof.

*“Principal Office”* means the address stated as such for the Trustee and any other fiduciary, agent or service provider as provided in this Sixth Supplemental Trust Agreement or in the Second Supplemental Trust Agreement except that with respect to presentation of Series 2002B Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

*“Redemption Price”* means the principal, premium, if any, and accrued interest to the applicable Redemption Date on which all or any portion of the Series 2002B Bonds are subject to optional or mandatory sinking fund redemption pursuant to the provisions of Section 2.05 of this Sixth Supplemental Trust Agreement.

*“Reference Treasury Dealer”* means an investment banking institution of national standing, specified by the City from time to time, that are primary U.S. Government securities dealers in New York City (which may be Citigroup Global Markets Inc. and/or Bear, Stearns & Co. Inc.) (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City shall substitute another Primary Treasury Dealer.

*“Reference Treasury Deal Quotations”* means, with respect to each Reference Treasury Dealer and any Redemption Date for a particular Series 2002B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such Redemption Date.

*“Registration Books”* means the registration books maintained by the Trustee pursuant to Section 2.08 of the Original Trust Agreement.

*“Regular Record Date”* means, with respect to an Interest Payment Date, the fifteenth (15<sup>th</sup>) day of the month immediately preceding such Interest Payment Date.

*“Special Record Date”* means a special date fixed to determine the names and addresses of Owners of the Series 2002B Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in Section 2.04 of this Sixth Supplemental Trust Agreement.

*“Treasury Rate”* means, with respect to any Redemption Date for a particular Series 2002B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the Redemption Date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

## ARTICLE II

### THE SERIES 2002B BONDS (ON AND AFTER THE FIXED RATE CONVERSION DATE)

**Section 2.01. Applicability.** On and after the Fixed Rate Conversion Date, the terms of the Series 2002B Bonds shall be subject to the provisions of this Article II and shall no longer be subject to the provisions of Article II of the Second Supplemental Trust Agreement.

**Section 2.02. Authorization and Designation.** The City has reviewed all proceedings heretofore taken relative to the original issuance and the subsequent conversion to Fixed Rate Bonds of the authorization of the Series 2002B Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the original issuance and conversion of the Series 2002B Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the City is now duly authorized, pursuant to each and every requirement of the Bond Law, to convert the Series 2002B Bonds to Fixed Rate Bonds in the form and manner and for the purposes provided in the Original Trust Agreement, the Second Supplemental Trust Agreement and herein and that the Series 2002B Bonds shall continue to be entitled to the benefit, protection and security of the provisions the Trust Agreement.

On the Fixed Rate Conversion Date, the Trustee is hereby authorized and directed, upon a Written Request of the City, to register, authenticate and deliver Series 2002B Bonds in an aggregate principal amount of \$[37,700,000]. On and after the Fixed Rate Conversion Date, the Series 2002B Bonds shall be designated as "City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002B."

**Section 2.03. Date; Initial Accrual of Interest.** The Series 2002B Bonds shall be dated the Dated Date. Interest with respect to any Series 2002B Bond shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (a) it is executed on an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (b) it is executed after a Regular Record Date and on or before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (c) it is executed on or before the first Regular Record Date, in which event interest with respect thereto shall be payable from the Dated Date; provided, however, that if, as of the date of execution of any Series 2002B Bond, interest is in default with respect to any Outstanding Series 2002B Bond, interest on such Series 2002B Bond shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Series 2002B Bonds.

**Section 2.04. Maturity, Interest Rates and Payment Terms.** The Series 2002B Bonds shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the following schedule:

Maturity (September 1)	Principal Amount	Interest Rate
	\$	%

The Series 2002B Bonds shall bear interest at the rates (based on a 360-day year of twelve 30-day months) set forth above, payable on March 1, 2006, and semiannually thereafter on March 1 and September 1 in each year. Interest on the Series 2002B Bonds shall be payable in lawful money of the United States of America. Payment of interest on the Series 2002B Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the Registration Books as the registered owner thereof as of the close of business on the Regular Record Date for an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed on the Interest Payment Date by first-class mail to such registered owner at the address as it appears in such books; provided that upon

the written request of a Holder of \$1,000,000 or more in aggregate principal amount of Series 2002B Bonds received by the Trustee prior to the applicable Regular Record Date, interest shall be paid by wire transfer in immediately available funds. Any such written request shall remain in effect until rescinded in writing by the Holder.

Notwithstanding the provisions of the previous paragraph, payments of interest on the Series 2002B Bonds due on or before the maturity or prior redemption thereof, shall be made by wire transfer of immediately available funds to the Depository while the Series 2002B Bonds are in book-entry form unless such method of payment shall have been modified by written agreement among the Trustee and the Depository.

The principal or Redemption Price of the Series 2002B Bonds shall be payable in lawful money of the United States of America at the Principal Office of the Trustee. Principal and Redemption Price with respect to a Series 2002B Bond shall be payable only upon presentation and surrender of such Series 2002B Bond at the Principal Office of the Trustee; provided, however, that payments of principal and Redemption Price with respect to Series 2002B Bonds at maturity or upon redemption, shall be made by wire transfer of immediately available funds to the Depository while the Series 2002B Bonds are in book-entry form unless such method of payment shall have been modified by written agreement among the Trustee and the Depository.

The Trustee shall determine not later than 2:00 p.m., New York City time, on the Business Day next succeeding each Interest Payment Date, whether a Payment Default has occurred. Defaulted Interest with respect thereto shall forthwith cease to be payable to the Depository and any Depository System Participants for the benefit of their respective Beneficial Owners as of the relevant Regular Record Date by virtue of having been such Beneficial Owners but such Defaulted Interest shall continue to accrue, and if and when money becomes available for the payment of such interest, the Trustee shall establish a Special Record Date for the payment of such interest, which date shall be not more than 15 nor fewer than 10 days before the proposed payment date, and shall give notice by first-class mail of the pending payment and the Special Record Date and, on the proposed payment date, such interest shall be payable to the Owners of the Series 2002B Bonds as of the close of business on such Special Record Date.

#### **Section 2.05. Redemption of Series 2002B Bonds.**

(a) ***Optional Redemption.*** The Series 2002B Bonds shall subject to redemption prior to maturity, at the option of the City, from any source available for such purpose, in whole or in part on any date, in such order of maturity as the City shall determine, at a Redemption Price equal to the greater of:

(i) one-hundred percent (100%) of the principal amount of the Series 2002B Bonds to be redeemed; or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2002B Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus [12.5] basis points,

plus in each case, accrued and unpaid interest on the Series 2002B Bonds being redeemed to the date fixed for redemption.

(b) ***Mandatory Sinking Fund Redemption.*** The Series 2002B Bonds maturing on September 1, 20\_\_ shall be subject to mandatory sinking fund redemption prior to maturity, in part (as described below), on September 1 of each year, commencing on September 1, 20\_\_, at a Redemption Price equal to 100% of the principal amount of the Series 2002B Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption, in the aggregate principal amounts in the respective years as follows:

<b>Mandatory Redemption Dates (September 1)</b>	<b>Principal Amount</b>
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\* Final Maturity Date

(c) ***Selection of Series 2002B Bonds for Redemption.***

(i) If less than the total amount of the Series 2002B Bonds Outstanding are redeemed, the Series 2002B Bonds to be redeemed shall be selected by the City; provided, however, if less than all of the Series 2002B Bonds of a given maturity are redeemed, the Series 2002B Bonds of such maturity to be redeemed shall be redeemed on a pro rate basis. "Pro rata" is determined, in connection with any optional or mandatory sinking fund redemption, in part, by multiplying the principal amount of the Series 2002B Bonds of such maturity to be redeemed on the applicable Redemption Date by a fraction, the numerator of which is equal to the principal amount of the Series 2002B Bonds of such maturity owned by an Owner, and the denominator of which is equal to the total amount of the Series 2002B Bonds of such maturity then Outstanding immediately prior to such Redemption Date, and then rounding the product down to the next lower integral multiple of \$5,000, provided that the portion of any Series 2002B Bonds to be redeemed are required to be in Authorized Denominations and all Series 2002B Bonds of a maturity to remain outstanding following any redemption are required to be in Authorized Denominations.

So long as there is a Securities Depository for the Series 200A Bonds, there will be only one registered Owner and neither the City nor the Trustee will have responsibility for prorating partial redemptions among Beneficial Owners of the Series 2002B Bonds.



(ii) If it is determined that less than all of the principal amount of Series 2002B Bonds of a given maturity shall be redeemed, then, upon notice of intention to redeem such Series 2002B Bonds, the Owner of such Series 2002B Bond (except with respect to Series 2002B Bonds registered to the Depository or its Nominee, in which case a notation as to the amount redeemed may be made on such Series 2002B Bond) shall promptly surrender such Series 2002B Bond to the Trustee for:

(A) payment to such Owner of the Redemption Price of the principal amount of Series 2002B Bonds called for redemption, and

(B) delivery to such Owner of a new Series 2002B Bond in the aggregate principal amount of the unrepaid principal balance, without charge therefor in accordance with Section 2.05(e) hereof.

(iii) If the Owner of any Series 2002B Bond fails to present such Series 2002B Bond to the Trustee for payment, such Series 2002B Bond nevertheless shall become due and payable on the date fixed for redemption to the extent of the amount of principal called for redemption, and interest shall cease to accrue with respect to such principal.

(d) *Notice of Redemption.*

(i) **When, how and to whom notices are to be sent.** Whenever redemption is authorized or required, the Trustee shall give notice of the redemption by first-class mail, postage paid, not less than 30 nor more than 60 days prior to the Redemption Date, to the respective Owners of any Series 2002B Bonds designated for redemption at their addresses appearing in the Registration Books; provided, however, that failure to give such notice by mailing or a defect in the notice or the mailing as to any Series 2002B Bonds will not affect the validity of any proceedings for redemption as to any other Series 2002B Bonds for which notice was properly given to the Owner thereof. Additionally, on the date on which the notice of redemption is mailed to the Owners of the Series 2002B Bonds pursuant to the provisions of this Section such notice of redemption shall be given by first class mail, confirmed facsimile transmission, or overnight delivery service to each of the Securities Depositories and to one or more of the Information Services as shall be designated in writing by the City to the Trustee and to any additional Information Services as determined by the City.

So long as there is a Securities Depository for the Series 200A Bonds, notice of any redemption of the Series 2002B Bonds will be sent by the Trustee only to such Securities Depository.

(ii) **Content of notices.** Each notice of redemption shall specify any descriptive information needed to identify accurately the Series 2002B Bonds being redeemed and as requested by the City, including:

(A) the Redemption Date;

(B) the Redemption Price;

(C) if less than all Outstanding Series 2002B Bonds are to be redeemed, the CUSIP numbers and the Series 2002B Bonds numbers of the Series 2002B Bonds to be redeemed;

(D) if a partial redemption, the respective principal amounts of the Series 2002B Bonds to be redeemed;

(E) that on the Redemption Date the Redemption Price will become due and payable with respect to each such Series 2002B Bond or portion thereof called for redemption, and that interest with respect thereto will cease to accrue from and after said date; and

(F) the place where such Series 2002B Bonds will be surrendered for payment of the Redemption Price; and

(G) that such redemption is conditional upon there being on deposit with the Trustee (by 10:00 a.m., Los Angeles time, on the date fixed for redemption) an amount sufficient to pay the Redemption Price, and that if such amount is not on deposit with the Trustee at such time, such notice shall be of no force or effect, such Series 2002B Bonds shall not be redeemed and the Trustee shall give notice in the manner in which notice of redemption was given, that such redemption did not occur, whereupon the Trustee shall promptly return to the Owners thereof the Series 2002B Bonds previously received by the Trustee for redemption.

(iii) **Effect of notices.** Notice having been given in the manner provided in this Section 2.05, the Series 2002B Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, and upon presentation and surrender thereof at the Principal Office specified in such notice, together with in the case of Series 2002B Bonds presented by other than the registered Owner, a written instrument of transfer satisfactory to the Trustee, duly executed.

(iv) **Notices conclusive.** Neither the failure by any Owner to receive any notice mailed pursuant to this Section 2.05 nor any defect therein shall affect the validity of the proceedings for the redemption of such Series 2002B Bonds or the cessation of the accrual of interest with respect to such Series 2002B Bonds from and after the Redemption Date.

(e) ***Partially Redeemed Series 2002B Bonds.*** Upon surrender of any Series 2002B Bond redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Series 2002B Bond or Series 2002B Bonds of Authorized Denominations then applicable, equal in aggregate principal amount to the unpaid portion of the Series 2002B Bond surrendered and of the same interest rate and the same maturity.

(f) **Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the Redemption Price of the Series 2002B Bonds so called for redemption shall have been duly provided, such Series 2002B Bonds so called shall cease to be entitled to any benefit under the Trust Agreement other than the right to receive payment of the principal and interest accrued to the Redemption Date, and premium, if any, and no interest shall accrue with respect thereto from and after the Redemption Date specified in the notice of such redemption. All Series 2002B Bonds redeemed in whole or in part pursuant to the provisions of this Section 2.05 shall be canceled by the Trustee and destroyed, and the Trustee shall certify in writing as to their destruction. If such funds shall not be so available on the Redemption Date, interest with respect to such Series 2002B Bonds or portions thereof shall continue to accrue until paid at the same rate as it would have accrued had they not been called for redemption.

**Section 2.06. Form of the Series 2002B Bonds.** The Series 2002B Bonds shall be delivered in the form of fully registered bonds without coupons in Authorized Denominations. The Series 2002B Bonds shall be assigned such alphabetical and numerical designations as shall be deemed appropriate by the Trustee. Series 2002B Bonds converted to Fixed Rate Bonds shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein.

**Section 2.07. Execution of Bonds.** The Series 2002B Bonds shall be executed by and in the name of the City and on its behalf by the manual or facsimile signature of the Mayor or the City Manager of the City and countersigned by the manual or facsimile signature of the City Clerk. If any officer or signatory whose signature appears on any Series 2002B Bond ceases to be such officer or signatory before the date of delivery of said Series 2002B Bond, such signature shall nevertheless be as effective as if the officer or signatory had remained in office until such date. Only those Series 2002B Bonds bearing thereon a certificate of authentication in the form set forth in Exhibit A attached hereto recited, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security under the Trust Agreement or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Series 2002B Bonds so authenticated have been duly authorized, executed, issued and delivered under the Trust Agreement and are entitled to the benefit, protection and security of the Trust Agreement.

**Section 2.08. Transfer and Exchange of Series 2002B Bonds.**

(a) **Transfer of Series 2002B Bonds.** The registration of any Series 2002B Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in Person or by his attorney duly authorized in writing upon surrender of such Series 2002B Bond for cancellation at the Principal Office of the Trustee accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee duly executed. Whenever any Series 2002B Bond or Series 2002B Bonds shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Series 2002B Bond or Series 2002B Bonds for a like aggregate principal amount in Authorized Denominations. The Trustee shall require the payment by the Owner of such Series 2002B Bond requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The cost of

printing any Series 2002B Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer shall be paid by the City. The Trustee shall not be required to transfer:

(i) any Series 2002B Bonds during the period between the date fifteen (15) days prior to the date of selection of Series 2002B Bonds for redemption and such date of selection, or

(ii) any Series 2002B Bonds selected for redemption.

(b) **Exchange of Series 2002B Bonds.** Series 2002B Bonds may be exchanged, upon surrender thereof, at the Principal Office of the Trustee for a like aggregate principal amount of Series 2002B Bonds in Authorized Denominations of the same maturity. Whenever any Series 2002B Bond or Series 2002B Bonds shall be surrendered for exchange, the Trustee shall execute and deliver a new Series 2002B Bond or Series 2002B Bonds for like aggregate principal amount in Authorized Denominations. The Trustee shall require the payment by the Owner of such Series 2002B Bond requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing any Series 2002B Bonds and any services rendered or any expenses incurred by the Trustee in connection with any exchange shall be paid by the City. The Trustee shall not be required to exchange:

(i) any Series 2002B Bonds during the period between the date fifteen (15) days prior to the date of selection of Series 2002B Bonds for redemption and such date of selection, or

(ii) any Series 2002B Bonds selected for redemption.

**Section 2.09. CUSIP Numbers.** The Trustee and the City shall not be liable for any defect or inaccuracy in any CUSIP number that appears on any Series 2002B Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Series 2002B Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee nor the City shall be liable for any inaccuracies in such numbers.

**Section 2.10. Book-Entry Only System.**

(a) **Original delivery.** The Series 2002B Bonds shall be delivered initially and upon the conversion of the Series 2002B Bonds to Fixed Rate Bonds in the form of a separate single fully registered Series 2002B Bond for each maturity of the Series 2002B Bonds. Upon initial delivery and upon the conversion of the Series 2002B Bonds to Fixed Rate Bonds, the ownership of each such Series 2002B Bond shall be registered on the Registration Books in the name of the Nominee. Except as provided in paragraph (c) below, the ownership of all of the Outstanding Series 2002B Bonds shall be registered in the name of the Nominee on the Registration Books.

(b) ***Depository, Nominee.*** With respect to Series 2002B Bonds, the ownership of which shall be registered in the name of the Nominee, the City and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any Person on behalf of which the Nominee or the Depository System Participant holds an interest in the Series 2002B Bonds. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to:

(i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Series 2002B Bonds;

(ii) the delivery to any Depository System Participant or any other Person, other than a Series 2002B Bond Owner as shown in the Registration Books, of any notice or the timeliness thereof, including any notice of redemption; or

(iii) the payment to any Depository System Participant or any other Person, other than a Series 2002B Bond Owner as shown in the Registration Books, of any amount with respect to principal or interest or redemption premium, if any.

The City and the Trustee may treat and consider the Person in whose name each Series 2002B Bond is registered as the absolute Owner of such Series 2002B Bond for the purpose of payment of principal and interest and premium, if any, with respect to such Series 2002B Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2002B Bond, for the purpose of registering transfers of ownership of such Series 2002B Bond, and for all other purposes whatsoever. The Trustee shall pay the principal and interest and premium, if any, only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal and interest and premium, if any, to the extent of the sum or sums so paid. Upon delivery by the Depository to the Trustee of written notice to the effect that the Depository has determined to substitute a new Nominee, and subject to the provisions of Section 2.08 of this Sixth Supplemental Trust Agreement with respect to transfers, the words "Cede & Co." in the Series 2002B Bonds shall refer to the new Nominee of the Depository.

(c) ***Transfers outside book-entry system.*** The Depository may determine to discontinue providing its services at any time by giving notice to the City and the Trustee and discharging its responsibilities with respect thereto under applicable law. The Trustee shall notify the City in the event any such notice is received from the Depository. The City, at the request or with the consent of the Depository and without the consent of any other Person may terminate the services of the Depository if the City or the Depository determines that:

(i) the Depository is unable to discharge its responsibilities with respect to the Series 2002B Bonds, or

(ii) a continuation of the requirement that all of the Outstanding Series 2002B Bonds be registered in the Registration Books in the name of the Nominee, or any other nominee of the Depository, is not in the best interest of the Beneficial Owners of the Series 2002B Bonds.

Upon the termination of the services of the Depository pursuant to subparagraph (ii) immediately above, or upon any other discontinuance or termination of the services of the Depository with respect to the Series 2002B Bonds after which no substitute securities depository willing to undertake the functions of the Depository hereunder can be found which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, the Trustee is obligated to deliver Series 2002B Bonds at the expense of the Beneficial Owners of the Series 2002B Bonds, as described in this Sixth Supplemental Trust Agreement, and the Series 2002B Bonds shall no longer be restricted to being registered in the Registration Books in the name of the Nominee of the Depository, but may be registered in whatever name or names the Owners of the Series 2002B Bond transferring or exchanging Series 2002B Bonds shall designate, in accordance with the provisions of Section 2.08 of this Sixth Supplemental Trust Agreement.

(d) **Payments and notices.** Notwithstanding any other provision of this Sixth Supplemental Trust Agreement or the Second Supplemental Trust Agreement to the contrary, so long as any Series 2002B Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest evidenced by such Series 2002B Bond and all notices with respect to such Series 2002B Bond shall be made and given, respectively, in the manner prescribed by the Depository from time to time. Owners of the Series 2002B Bonds shall have no lien or security interest in any rebate or refund paid by the Depository to the Trustee or the City which arises from the payment by the Trustee of principal or interest evidenced by the Series 2002B Bonds in immediately available funds to the Depository.

(e) **Deliveries.** So long as Cede & Co. is the sole registered Owner of the Series 2002B Bonds, all deliveries of Series 2002B Bonds under the provisions of this Sixth Supplemental Trust Agreement shall be made pursuant to DTC's procedures as in effect from time to time, and neither the City nor the Trustee shall have any responsibility for or liability with respect to the implementation of such procedures.

### ARTICLE III

#### AMENDMENTS TO ARTICLE IV OF THE SECOND SUPPLEMENTAL TRUST AGREEMENT

**Section 3.01. Amendment to Section 4.01.** Section 4.01 of the Second Supplemental Trust Agreement is hereby amended and restated in full to read as follows:

“Section 4.01. Debt Service Payments; Payment of Fees. In order to provide for the payment of principal and interest on the Series 2002B Bonds when due, the City shall deposit or cause to be deposited with the Trustee on or before October 30 of each year the amount of interest due with respect to the Series 2002B Bonds on the next succeeding March 1 and September 1 and the amount of principal (including any mandatory sinking fund redemption payments) due with respect to the Series 2002B Bonds on the next succeeding September 1, as required by Section 4.01 of the Original Trust Agreement [; provide, however, the City shall deposit or cause to be deposited with the Trustee on the Fixed Rate Conversion Date amounts sufficient to pay the interest due on the Series 2002B Bonds on the next succeeding March 1 and September 1 immediately following the Fixed Rate Conversion Date (or the interest due on the Series 2002B Bonds on the next succeeding September 1 immediately following the Fixed Rate Conversion Date if such Fixed Rate Conversion Date is on a date after March 1 but prior to September 1) and the principal due on the Series 2002B Bonds on the next succeeding September 1 immediately following the Fixed Rate Conversion Date.]

All amounts payable under this Section shall be deposited by the Trustee in the Bond Fund and applied as set forth in Section 4.02 of the Original Trust Agreement; provided that the Trustee shall create within the Bond Fund (in addition to the other Accounts created therein) a Fees Account and upon the receipt of moneys designated by the City to be deposited therein for the payment of fees, and prior to the deposit of any moneys to the Surplus Account, the Trustee shall set aside from the Bond Fund and deposit in the Fees Account that amount of money which is equal to the aggregate amount of the Trustee’s fee that the Trustee is instructed to pay by the City. No deposit need be made in the Fees Account if the amount contained therein is at least equal to the aggregate amount of Trustee fees becoming due and payable. All moneys in the Fees Account shall be used and withdrawn by the Trustee solely for the purpose of paying any Trustee fees with respect to the Series 2002B Bonds as they shall become due and payable.”

**Section 3.02. Amendment to Section 4.02.** Section 4.02 of the Second Supplemental Trust Agreement is hereby amended with the addition of a subsection (c) to read as follows:

“(c) for each Fiscal Year from and after the Fixed Rate Conversion Date, an amount equal to the sum of the principal (including any mandatory sinking fund redemption payments) becoming due during such Fiscal Year plus the interest (calculated at the rates set forth in Section 2.04 hereof) becoming due during such Fiscal Year.”

## ARTICLE IV

### AMENDMENTS TO ARTICLE V OF THE SECOND SUPPLEMENTAL TRUST AGREEMENT

**Section 4.01. Amendment to Section 5.02(d).** The third sentence of Section 5.02(d) of the Second Supplemental Trust Agreement is hereby amended and restated in full to read as follows:

“Such amounts shall be disbursed by the Trustee to the Owners of the Series 2002B Bonds in the same manner as principal and interest payments are to be made with respect to the

Series 2002B Bonds under the sections of this Second Supplemental Trust Agreement and the Sixth Supplemental Trust Agreement, regarding payment of the Series 2002B Bonds.”

## ARTICLE V

### MISCELLANEOUS

**Section 5.01. Severability.** If any provisions of this Sixth Supplemental Trust Agreement shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

**Section 5.02. Execution in Several Counterparts.** This Sixth Supplemental Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 5.03. Provisions of the Trust Agreement not Otherwise Modified.** Except as specifically amended and supplemented by this Sixth Supplemental Trust Agreement, the Original Trust Agreement and the Second Supplemental Trust Agreement are hereby ratified, approved and confirmed and remain in full force and effect.

**Section 5.04. Governing Law.** This Sixth Supplemental Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

**Section 5.05. Effective Date.** This Sixth Supplemental Trust Agreement shall be effective upon the execution hereof by the parties hereto.

[End of Sixth Supplemental Trust Agreement]



IN WITNESS WHEREOF, the City has caused this Sixth Supplemental Trust Agreement to be executed in its name by the City Manager of the City and the Trustee has caused this Sixth Supplemental Trust Agreement to be executed in its name by its duly authorized officer all as of the day and year first above written.

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
City Manager

Attest:

By \_\_\_\_\_  
City Clerk

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

By \_\_\_\_\_  
Authorized Signatory

[Signature page to Sixth Supplemental Trust Agreement]

**EXHIBIT A**

**FORM OF BOND**

City of Long Beach, California  
Taxable Pension Obligation Refunding Bonds  
Series 2002B

No. R- \_\_\_\_\_

\$ \_\_\_\_\_

[UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE HEREINAFTER DEFINED SECOND SUPPLEMENTAL TRUST AGREEMENT) TO THE TRUSTEE (AS HEREINAFTER DEFINED) FOR REGISTRATION OF, TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SERIES 2002B BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

THE OBLIGATIONS OF THE CITY HEREUNDER INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED OR PERMITTED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED OR WILL LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE SERIES 2002B BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE SERIES 2002B BONDS CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**Interest Rate**

**Maturity Date**

**Original Issue Date**

**CUSIP**

REGISTERED HOLDER: \_\_\_\_\_

PRINCIPAL SUM: \_\_\_\_\_ Dollars

The City of Long Beach, a municipal corporation and charter city organized and existing under and pursuant to the City charter and the Constitution of the State of California (the "City"), for value received, hereby promises to pay to the Registered Holder identified above or

registered assigns, on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for) the Principal Sum specified above in lawful money of the United States of America. The Registered Holder is also entitled to receive, subject to the terms of the Trust Agreement (as hereinafter defined), on March 1, 2006 and thereafter on each March 1 and September 1 thereafter (each an "Interest Payment Date"), to and including the Maturity Date or any date of redemption, whichever is earlier, the interest coming due with respect to this Bond at the Interest Rate per annum specified above; provided, however, that interest on such principal amount shall be payable from the Interest Payment Date next preceding the date of execution of this Bond unless: (i) this Bond is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) this Bond is executed after a Regular Record Date (as defined below in this paragraph), in which event interest with respect thereto shall be payable from such Interest Payment Date, or (iii) this Bond is executed on or before the first Regular Record Date, in which event interest with respect thereto shall be payable from December 30, 2005. "Regular Record Date" means, with respect to an Interest Payment Date, the fifteenth (15<sup>th</sup>) day of the month immediately preceding such Interest Payment Date.

Interest due on or before the maturity of this Bond shall be payable only by check mailed on each Interest Payment Date to the Registered Holder hereof; provided that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of Series 2002B Bonds received by the Trustee prior to the applicable record date, interest shall be paid by wire transfer in immediately available funds. The principal hereof is payable in lawful money of the United States of America at the Principal Office of The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company) (together with any successor trustee, herein called the "Trustee"), in Los Angeles, California (or at the principal corporate office of any successor trustee), which address is set forth in the Trust Agreement (as hereinafter defined), as such address may be changed from time to time in accordance with the provisions of the Trust Agreement.

This Bond is one of a duly authorized issue of bonds of the City designated as its "Taxable Pension Obligation Refunding Bonds, Series 2002B in original aggregate principal amount of \$44,000,000, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of Article I, Section 109 of the City Charter and Article 11 (commencing with Section 53580 of the California Government Code), and all laws amendatory thereof or supplemental thereto (the "Bond Law") and under and pursuant to the provisions of a trust agreement, dated as of October 1, 1995 (the "Original Trust Agreement") as supplemented by the Second Supplemental Trust Agreement, dated as of August 1, 2002, the Fourth Supplemental Trust Agreement, dated as of December [ ], 2005, and the Sixth Supplemental Trust Agreement, dated as of December 30, 2005, each between the City and Trustee (the Original Trust Agreement, the Second Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement and the Sixth Supplemental Trust Agreement are collectively referred to herein as the "Trust Agreement") (copies of which are on file at the Principal Office of the Trustee, as set forth in the Second Supplemental Trust Agreement or such other place as is designated by the Trustee).

Under the Trust Agreement, Additional Bonds and other obligations may be issued on a parity with the Series 2002B Bonds, but subject to the conditions and upon compliance with the

procedures set forth in the Trust Agreement. The Series 2002B Bonds and any bonds or other obligations issued on a parity with the Series 2002B Bonds are obligations imposed by law payable from funds to be appropriated by the City pursuant to Article XXI, Section 2100 of the City Charter and Section 20000 of the California Government Code (the "Retirement Law"). Reference is hereby made to the Bond Law and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Series 2002B Bonds are issued, the rights of the Registered Holders of the Series 2002B Bonds, security for payment of the Series 2002B Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the Registered Holders of the Series 2002B Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the City and the Registered Holder of this Bond, to all the provisions of which the Registered Holder of this Bond, by acceptance hereof, agrees and consents.

The Series 2002B Bonds are subject to redemption prior to their maturity, at the option of the City, from any source available for such purpose, in whole or in part on any date, in such order of maturity as the City determines, at a redemption price equal to the greater of:

(a) One-hundred percent (100%) of the principal amount of the Series 2002B Bonds to be redeemed; or

(b) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2002B Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus [12.5] basis points,

plus in each case, accrued and unpaid interest on the Series 2002B Bonds being redeemed to the date fixed for redemption.

For the purpose of determining the Treasury Rate, the following definitions will apply:

"Treasury Rate" means, with respect to any redemption date for a particular Series 2002B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series 2002B Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Series 2002B Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2002B Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2002B Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (ii) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the City.

“Reference Treasury Dealer” means an investment banking institution of national standing, specified by the City from time to time, that are primary U.S. Government securities dealers in New York City (which may be Citigroup Global Markets Inc. and/or Bear, Stearns & Co. Inc.) (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City shall substitute another Primary Treasury Dealer.

“Reference Treasury Deal Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2002B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.

The Series 2002B Bonds maturing on September 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity in part on September 1 of each year on and after September 1, 20\_\_, by lot, from mandatory sinking fund payments in the amounts and on the dates set forth in the Sixth Supplemental Trust Agreement, at a Redemption Price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

If an Event of Default, as defined in the Trust Agreement, shall occur, the principal of all Series 2002B Bonds (and any additional bonds authorized by the Trust Agreement) may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; except that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond may be transferred or exchanged only on a register to be kept for that purpose at the Principal Office of the Trustee (as defined in the Sixth Supplemental Trust Agreement), as the same may change from time to time by designation of the Trustee as provided in the Trust Agreement by the Registered Holder hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Holder or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of Authorized Denominations will be issued to the transferee in exchange therefor. The City and the Trustee may deem and treat the Registered

Holder hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the City nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal and premium, if any, of this Bond shall be made only to such Registered Holder, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Series 2002B Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the City of Long Beach has caused this Bond to be executed in its name and on its behalf by the [manual/facsimile] signature of the [City Manager of the City] and countersigned by the [manual/facsimile] signature of the City Clerk, and has caused this Bond to be dated as of the Original Issue Date specified above.

CITY OF LONG BEACH

By \_\_\_\_\_  
City Manager

[SEAL]

Countersigned:

By \_\_\_\_\_  
City Clerk

## **STATEMENT OF INSURANCE**

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), Los Angeles, California, or its successor, as paying agent for the Series 2002B Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.



**[FORM OF CERTIFICATE OF AUTHENTICATION]**

This is one of the Bonds described in the within mentioned Trust Agreement which has been authenticated on \_\_\_\_\_,

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

By \_\_\_\_\_  
Authorized Signatory

**[FORM OF ASSIGNMENT]**

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature guaranteed:

\_\_\_\_\_  
(NOTE: Signature(s) guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or such other guarantee program acceptable to the Trustee.)

§ \_\_\_\_\_  
**CITY OF LONG BEACH, CALIFORNIA**  
**Taxable Pension Obligation Refunding Bonds,**  
**Series 2002A and Series 2002B**

**REMARKETING AGREEMENT**

This Remarketing Agreement, dated as of December [ ], 2005, by and between Citigroup Global Markets Inc. and Bear, Stearns & Co. Inc. (collectively, the "Remarketing Agents") and the City of Long Beach, California (the "City"), is entered into by such parties on the basis of the following understandings:

The City has issued its City of Long Beach, California, Taxable Pension Obligation Refunding Bonds, Series 2002A (the "2002A Bonds") and Series 2002B (the "2002B Bonds", and collectively with the 2002A Bonds, the "2002 Bonds") pursuant to a Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), between the City and The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), as trustee (the "Trustee"), as amended and supplemented by a First Supplemental Trust Agreement, dated as of August 1, 2002 (the "First Supplemental Trust Agreement"), a Second Supplemental Trust Agreement, dated as of August 1, 2002 (the "Second Supplemental Trust Agreement"), a Third Supplemental Trust Agreement, dated as of December \_\_, 2005 (the "Third Supplemental Trust Agreement") and a Fourth Supplemental Trust Agreement, dated as of December \_\_, 2005 (the "Fourth Supplemental Trust Agreement").

The 2002A Bonds are being remarketed in the aggregate principal amount of \$ \_\_\_\_\_ and the 2002B Bonds are being remarketed in the aggregate principal amount of \$ \_\_\_\_\_ (collectively, the "Remarketed Bonds") in connection with the conversion of the 2002 Bonds (the "Conversion") from bearing interest at auction rates to bearing interest at fixed rates to maturity.

The Remarketed Bonds are being remarketed pursuant to a Fifth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Fifth Supplemental Trust Agreement") and a Sixth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Sixth Supplemental Trust Agreement"). The Original Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement and the Sixth Supplemental Trust Agreement are collectively referred to herein as the "Trust Agreement".

The Remarketed Bonds are as described in, and are secured under and pursuant to the provisions of Article I, Section 109 of the City Charter and Article 11 (commencing with section 53580) of Chapter 3, Division 2, Title 5 of the California Government Code

and all laws amendatory thereof and supplemental thereto, and resolutions of the City Council adopted on July 23, 2002 and on December 13, 2005 (collectively, the "Resolution").

The obligation of the City to make payments on the Remarketed Bonds are obligations of the City imposed by law and will be absolute and unconditional without any right of set-off or counterclaim.

Payment of the principal of and interest on the Remarketed Bonds when due is insured by a municipal bond insurance policy (the "Policy") issued by Financial Security Assurance, Inc. (the "Insurer").

The Remarketed Bonds will be dated the date, will bear interest at the rates calculated in accordance with the Trust Agreement and will mature on the dates and in the amounts set forth in Exhibit A hereto.

The City has undertaken, pursuant to a Continuing Disclosure Certificate dated August 15, 2002, as amended and restated (the "Continuing Disclosure Certificate") to provide certain annual financial information and operating data and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Remarketing Circular (as hereinafter defined) and will also be set forth in the final Remarketing Circular (as hereinafter defined).

**Section 1. Responsibilities of Remarketing Agents.**

(a) It is understood and agreed that the Remarketing Agents will remarket the Remarketed Bonds at the initial offering prices set forth on the inside front cover page of the Remarketing Circular. The undertaking of the Remarketing Agents to remarket the Remarketed Bonds pursuant to this Remarketing Agreement and the Trust Agreement will be on a "best efforts" basis.

(b) On or before December 30, 2005, or at (the "Conversion Date"), the City will, subject to the terms and conditions hereof deliver or cause to be delivered, the Remarketed Bonds (delivered through the book-entry system of The Depository Trust Company), duly executed and authenticated. The purchase price of the Remarketed Bonds will be payable in immediately available funds to the order of the Trustee in an amount equal to \$\_\_\_\_\_. Such purchase price will be payable solely from the proceeds of the remarketing of the Remarketed Bonds pursuant to and in accordance with the Trust Agreement.

**Section 2. Use and Preparation of Remarketing Circular.** The City hereby ratifies, confirms and approves the use and distribution by the Remarketing Agents prior to the date hereof of the Preliminary Remarketing Circular relating to the Remarketed Bonds dated December \_\_, 2005 (including the cover page, the summary statement and all appendices thereto, the "Preliminary Remarketing Circular"). The City has deemed final the Preliminary Remarketing Circular as of the date thereof for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom in accordance with

paragraph (b)(i) of Rule 15c2-12. The City hereby agrees to deliver or cause to be delivered to the Remarketing Agents, within seven (7) business days of the date hereof (and in any event no later than the Conversion Date) copies of the final Remarketing Circular, dated the date hereof relating to the Remarketed Bonds (including all information permitted to be omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the City and the Remarketing Agents) (the "Remarketing Circular") in sufficient quantity to enable the Remarketing Agents to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The City hereby approves the use and distribution by the Remarketing Agents of the Remarketing Circular and the related financing documents in connection with the offer and sale of the Remarketed Bonds.

**Section 3. Representations, Warranties and Agreements of the City.** The City represents and warrants to, and covenants with, the Remarketing Agents that:

(a) The City is a chartered city and municipal corporation organized and existing pursuant to the Constitution and laws of the State of California and has all necessary power and authority to adopt the Resolution, to convert and remarket the Remarketed Bonds, to execute and deliver the Remarketing Circular and to enter into and perform its duties under this Remarketing Agreement, the Trust Agreement and the Continuing Disclosure Certificate;

(b) By official action of the City prior to or concurrently with the execution hereof, the City has duly authorized the distribution of the Preliminary Remarketing Circular and the Remarketing Circular, and has duly authorized and approved the conversion and the remarketing of the Remarketed Bonds and the execution and delivery of; and the performance by the City of the obligations on its part contained in, this Remarketing Agreement, the Trust Agreement and the Continuing Disclosure Certificate and the consummation by it of all other transactions contemplated by this Remarketing Agreement, the Trust Agreement and the Continuing Disclosure Certificate; and this Remarketing Agreement, the Trust Agreement and the Continuing Disclosure Certificate, when executed by the City, will be legal, valid and binding obligations of the City;

(c) Except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by any state regulatory authority having jurisdiction over the City, other than such consents, approvals, authorizations, orders, filings and certifications which have been obtained or accomplished, required for the execution and delivery of this Remarketing Agreement, the Trust Agreement and the Continuing Disclosure Certificate or the conversion and remarketing of the Remarketed Bonds or the consummation by the City of the other transactions contemplated by this Remarketing Agreement, the Trust Agreement and the Continuing Disclosure Certificate;

(d) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond,

note, resolution, agreement or other instrument to which the City is a party or to which the City or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default in any material respect under any such instrument; and the conversion and remarketing of the Remarketed Bonds and the execution and delivery of this Remarketing Agreement, the Trust Agreement and the Continuing Disclosure Certificate, and compliance with the provisions on the City's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Trust Agreement;

(e) There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the best knowledge of the City, threatened against the City to restrain or enjoin the conversion or remarketing of the Remarketed Bonds or in any way contesting or affecting the validity of the Remarketed Bonds, this Remarketing Agreement, the Trust Agreement, the Continuing Disclosure Certificate or the Resolution or contesting the power of the City to enter into or perform its obligations under any of the foregoing or in which a final adverse decision could materially adversely affect the consummation of the transactions contemplated by this Remarketing Agreement, the Trust Agreement and the Continuing Disclosure Certificate or the ability of the City to pay principal and interest on the Remarketed Bonds;

The City will furnish such information, execute such instruments and take such other action in cooperation with the Remarketing Agents as the Remarketing Agents may reasonably request in order (i) to qualify the Remarketed Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Remarketing Agents may designate and (ii) to determine the eligibility of the Remarketed Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Remarketed Bonds; provided, however, that in no event shall the City be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(f) As of the date thereof, the Preliminary Remarketing Circular did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(g) As of the date thereof and at all times subsequent thereto to and including the date twenty-five (25) days following the Conversion Date the Remarketing

Circular did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) If between the date hereof and twenty-five days (25) days following the Conversion Date an event occurs which would cause the information contained in the Remarketing Circular, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the City will notify the Remarketing Agents, and, if in the opinion of the City, the Remarketing Agents or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Remarketing Circular, the City will forthwith prepare or cause to be prepared and furnish to the Remarketing Agents (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Remarketing Circular (in form and substance satisfactory to counsel for the Remarketing Agents), which will amend or supplement the Remarketing Circular so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time thereof, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the Conversion Date, the City will furnish such information with respect to itself as the Remarketing Agents may from time to time reasonably request;

(i) If the information contained in the Remarketing Circular is amended or supplemented pursuant to paragraph (h) hereof, at the time of each supplement or amendment and at all times subsequent thereto up to and including the date that is 25 days after the Conversion Date, the Remarketing Circular as so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(j) Prior to the 25th day following the Conversion Date, the City will not participate in the issuance of any amendment of or supplement to the Remarketing Circular to which, after being furnished with a copy, the Remarketing Agents shall reasonably object in writing;

(k) Any certificate signed by any authorized official of the City, and delivered to the Remarketing Agents in connection with the conversion and remarketing of the Remarketed Bonds, shall be deemed a representation and warranty by the City to the Remarketing Agents as to the statements made therein.

(l) The default judgment dated April 26, 1994 entered in favor of the City in connection with *The City of Long Beach v. All Person Interested, etc.* was duly entered, the appeal period has run without any appeal having been filed, and the default judgment is in full force and effect.

**Section 4. Conditions to the Obligations of the Remarketing Agents.** The Remarketing Agents hereby enter into this Remarketing Agreement in reliance upon the representations and warranties of the City contained herein and the representations and warranties to be contained in the documents and instruments to be delivered on the Conversion Date and upon the performance by the City of its obligations both on and as of the date hereof and as of the Conversion Date. Accordingly, the Remarketing Agents' obligations under this Remarketing Agreement shall be subject to the accuracy in all material respects of the representations and warranties of the City contained herein as of the date hereof and as of the Conversion Date, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificate or other document furnished pursuant to the provisions hereof; to the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Conversion Date, and also shall be subject to the following additional conditions:

(a) At the time of the Conversion, the Trust Agreement and the Continuing Disclosure Certificate shall be in full force and effect as valid and binding agreements between the various parties thereto and the Trust Agreement, the Continuing Disclosure Certificate and the Remarketing Circular, shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Remarketing Agents, and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby;

(b) The Remarketing Agents may cease remarketing the Remarketed Bonds with immediate effect if they determine in their reasonable judgment, that it is not advisable to attempt to remarket the Remarketed Bonds by reason of any of the following:

(1) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, State income taxation upon interest received on obligations of the general character of the Remarketed Bonds as described in the Remarketing Circular, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the Federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;



(2) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Remarketed Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Remarketed Bonds, including any or all underlying arrangements, as contemplated hereby or by the Remarketing Circular or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(3) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Remarketed Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(4) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(5) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Remarketed Bonds or as to obligations of the general character of the Remarketed Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Remarketing Agent;

(6) any amendment to the federal or State constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City, its property, income or securities (or interest thereon);

(7) any event occurring, or information becoming known which, in the judgment of the Remarketing Agents, makes untrue in any material respect any statement or information contained in the Remarketing Circular, or has the effect that the Remarketing Circular contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(8) there shall have occurred since the date of this Remarketing Agreement any materially adverse change in the affairs or financial condition of the City;

(9) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities, act of terrorism or a national or international calamity or crisis, financial or otherwise;

(10) any fact or event shall exist or have existed that, in the Remarketing Agents' judgment, requires or has required an amendment of or supplement to the Remarketing Circular;

(11) there shall have occurred any downgrading, or any notice shall have been given of any intended or potential downgrading; and

(12) the purchase of and payment for the Remarketed Bonds by the Remarketing Agent, or the remarketing of the Remarketed Bonds by the Remarketing Agent, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

(c) at or prior to the Conversion, the Remarketing Agents shall receive the following documents, in each case satisfactory in form and substance to the Remarketing Agents and counsel to the Remarketing Agents:

(1) The unqualified approving opinion of Kutak Rock LLP, Bond Counsel, in substantially the form included in Appendix C to the Remarketing Circular, dated the Conversion Date and addressed to the City, and a separate reliance letter delivered to the Remarketing Agents (which may be included in the opinion described in (2) below);

(2) A supplemental opinion of Bond Counsel, dated the Conversion Date, addressed to the Remarketing Agents, to the effect that:

i. the statements and information in the Remarketing Circular under the captions "PLAN OF REMARKETING AND REFUNDING," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS, DESCRIPTION OF THE SERIES 2002 BONDS" and "TAX MATTERS," and in "APPENDIX B-SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT," "APPENDIX C PROPOSED FORM OF BOND COUNSEL OPINION" and "APPENDIX E FORM OF CONTINUING DISCLOSURE CERTIFICATE" insofar as such statements expressly summarize certain provisions of the Remarketed Bonds, the Trust Agreement, the Continuing Disclosure Certificate, certain tax matters relating to the Remarketed Bonds and the opinion of such counsel, are accurate in all material respects;

ii. [this Remarketing Agreement has been duly executed and delivered by the City and, assuming due authorization and execution

thereof by the other parties thereto, constitutes a valid and binding agreement of the City enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies against charter cities in the State of California; and]

iii. the Remarketed Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; (no opinion need be expressed with respect to the Policy)

(3) The opinion of Kutak Rock LLP, as disclosure counsel, dated the Conversion Date and addressed to the Remarketing Agents, to the effect that (based upon their participation in the preparation of the Remarketing Circular as disclosure counsel and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Remarketing Circular, nothing has come to the attention of such counsel which would lead them to believe that the Remarketing Circular (excluding therefrom the financial statements, the forecasts, the statistical data and the information concerning DTC and the book-entry system and the Insurer and the Policy included in the Remarketing Circular) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(4) An opinion of the City Attorney, dated the Conversion Date and addressed to the Remarketing Agents, to the effect that:

i. the City is a chartered city and municipal corporation duly organized and validly existing under the Constitution and the laws of the State of California with right and power to adopt the Resolution, to convert and remarket the Remarketed Bonds, and to execute, deliver and perform its obligations under this Remarketing Agreement, the Trust Agreement, and the Continuing Disclosure Certificate;

ii. the preparation and distribution of the Preliminary Remarketing Circular and the Remarketing Circular have been duly authorized by the City;

iii. the Resolution has been duly adopted at a meeting of the City Council, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and has not been amended, modified or rescinded since the date of its adoption;

iv. there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the best knowledge of such counsel, threatened against the City to restrain

or enjoin the conversion and remarketing of the Remarketed Bonds or in any way contesting or affecting the validity of the Remarketed Bonds, the Trust Agreement, the Continuing Disclosure Certificate, this Remarketing Agreement or the Resolution, or contesting the power of the City to enter into or perform its obligations under any of the foregoing, and the statements and information contained in the Remarketing Circular under the caption "NO LITIGATION" is accurate in all material respects;

v. this Remarketing Agreement, the Trust Agreement and the Continuing Disclosure Certificate have each been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, each constitutes a legal, valid and binding agreement of the City enforceable in accordance with its respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies against charter cities in the State of California;

vi. no authorization, approval, consent or other order of the State of California or any local agency of the State of California, other than such authorizations, approvals and consents as have been obtained, is required for the conversion and remarketing of the Remarketed Bonds, the valid authorization, execution and delivery by the City of this Remarketing Agreement, the Trust Agreement or the Continuing Disclosure Certificate and the authorization of the Remarketing Circular or the consummation by the City of the other transactions contemplated by this Remarketing Agreement, the Trust Agreement, the Continuing Disclosure Certificate and the Remarketing Circular (provided that no opinion need be expressed as to any action required under state securities or Blue Sky laws in connection with the remarketing of the Remarketed Bonds by the Remarketing Agents); and

vii. the City is not in breach of or default under any applicable law or administrative regulation of the State of California or any applicable judgment or decree or any loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, which breach or default would materially adversely affect the City's ability to convert and remarket the Remarketed Bonds or to enter into or perform its obligations under the Remarketed Bonds or the Trust Agreement, the Continuing Disclosure Certificate or this Remarketing Agreement, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default;

(5) A certified copy of the Resolution;

(6) A certificate or certificates, dated the Conversion Date, signed by duly authorized officials of the City, to the effect that: (i) the representations, agreements and warranties of the City in this Remarketing Agreement are true and correct in all material respects as of the date made and as of the Conversion Date; (ii) the City is in compliance with all covenants and has satisfied all conditions on

its part to be observed or satisfied under this Remarketing Agreement, the Trust Agreement, and the Continuing Disclosure Certificate at or prior to the Conversion and such documents are in full force and effect; (iii) subsequent to the date of the Remarketing Circular and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the City, whether or not arising from transactions in the ordinary course of the City's operations as described in, the Remarketing Circular; and (iv) as of the date of such certificates, the Remarketing Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(7) Two executed or certified copies of the Trust Agreement and the Continuing Disclosure Certificate;

(8) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Trust Agreement, and the authentication of the Remarketed Bonds, together with a certificate to the effect that:

i. The Trustee is a banking corporation organized and existing under the laws of the United States

ii. The Trustee has full corporate trust powers and authority to serve as Trustee under the Trust Agreement and has duly accepted the trusts its obligations under the Trust Agreement; and

iii. The Trustee's action in executing and delivering the Trust Agreement, is in full compliance with and does not conflict with any applicable law or governmental regulation currently in effect and does not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee, is bound;

(9) An opinion of counsel to the Trustee, dated the Conversion Date and addressed to the City and the Remarketing Agents, to the effect that the Trust Agreement, has been duly authorized, executed and delivered by the Trustee, and, assuming due authorization, execution and delivery by the other parties thereto, the Trust Agreement, each constitutes a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity;

(10) Evidence from Fitch, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., and that the Remarketed Bonds have been assigned ratings of "AAA," "Aaa" and "AAA," respectively, by such rating agencies;

(11) A specimen of the Insurer's Policy insuring the payment of the Remarketed Bonds;

(12) An opinion of counsel to the Insurer, dated the Conversion Date and addressed to the City and the Remarketing Agents, in the form submitted to the Remarketing Agents;

(13) A copy of the DTC Blanket Letter of Representations, signed by DTC and the City;

(14) A copy of any Preliminary Blue Sky Survey with respect to the Remarketed Bonds, prepared by Remarketing Agents' Counsel;

(15) A copy of the default judgment, dated April 26, 1994, entered in favor of the City in connection with *The City of Long Beach v. All Persons Interested, etc.*, Case No. NCO 13846 filed in the Superior Court of California, County of Los Angeles, South District; and;

(16) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Conversion Date of the representations of the City contained herein and of the statements and information contained in the Remarketing Circular, and the due performance or satisfaction by the City at or prior to the Conversion of all agreements then to be performed and all conditions then to be satisfied by it in connection with the transactions contemplated hereby.

If the conditions to the Remarketing Agents' obligations contained in this Remarketing Agreement are not satisfied or if the Remarketing Agents' obligations shall be terminated for any reason permitted by this Remarketing Agreement, this Remarketing Agreement and all obligations of the Remarketing Agents hereunder may be terminated by the Remarketing Agents at, or at any time prior to, the Conversion and neither the City nor the Remarketing Agents shall have any further obligations hereunder.

**Section 5. Expenses.** In connection with the sale of the Remarketed Bonds, the City shall pay the Remarketing Agents a fee of \$\_\_\_\_\_. In addition, the City shall pay the following expenses: (a) the cost of preparation, printing and delivery of the Remarketed Bonds; (b) the fees of the Trustee and any fees and expenses of the Trustee's counsel; (c) the cost of printing and delivery of the Preliminary Remarketing Circular and the Remarketing Circular; and (d) any out-of-pocket disbursements of the City.

The Remarketing Agents shall pay the following expenses: (a) the CDIAC fee, if any, (b) fees and expenses of the Municipal Securities Rulemaking Board in connection with the Remarketed Bonds; (c) CUSIP Service Bureau charges for the assignment of CUSIP numbers; and (d) the fees and expenses of Remarketing Agents' counsel,

**Section 6. Notices.** Any notice or other communication to be given to the Remarketing Agents may be given by delivering the same to:

Citigroup Global Markets Inc.  
555 South Flower Street, Suite 3400  
Los Angeles, California 90071  
Attention: Joe Crowley

Any notice to be given to the City under this Remarketing Agreement may be given by delivering the same to:

City of Long Beach  
333 West Ocean Boulevard  
Long Beach, CA 90802  
Attention: Director of Financial Management

All notices or communications hereunder by any party shall be given and served upon such other party. The approval of the Remarketing Agents when required hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by the Remarketing Agents and delivered to the City.

**Section 7. Parties in Interest.** This Remarketing Agreement is made solely for the benefit of the City and the Remarketing Agents (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties, covenants and other agreements of the City contained in this Remarketing Agreement or in any certificate delivered pursuant hereto shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Remarketing Agents and shall survive the conversion and remarketing the Remarketed Bonds.

**Section 8. Counterpart Signatures.** This Remarketing Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**Section 9. Governing Law.** This Remarketing Agreement shall be governed by the laws of the State of California.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.

By: \_\_\_\_\_

BEAR, STEARNS & CO., INC.

By: \_\_\_\_\_

The foregoing is hereby agreed to and accepted as of the date first above written

CITY OF LONG BEACH

By: \_\_\_\_\_  
City Manager



**EXHIBIT A**

**MATURITY SCHEDULE**

[to come]

Circular is delivered in final form. Under no circumstances shall this Preliminary Remarketing Circular 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 or qualification under the securities laws of such jurisdiction. The definitive Remarketing Circular with respect to these securities will be made available concurrent with their sale.

KUTAK ROCK LLP  
DRAFT #3 (12/05/05)

PRELIMINARY REMARKETING CIRCULAR DATED DECEMBER [14], 2005

REMARKETING-NOT A NEW ISSUE  
BOOK-ENTRY-ONLY

TAXABLE (FEDERAL)  
TAX-EXEMPT (CALIFORNIA)  
RATINGS: See "RATINGS" herein.

**\$38,300,000**  
**City of Long Beach, California**  
**Taxable Pension Obligation Refunding Bonds**  
**Series 2002A**

**\$38,250,000**  
**City of Long Beach, California**  
**Taxable Pension Obligation Refunding Bonds**  
**Series 2002B**

Dated: August 15, 2002

Due: September 1, as shown on the inside front cover

The City of Long Beach, California (the "City") elected to have certain of its employees become members of the California Public Employees Retirement System ("PERS" or the "System") established under Sections 20000 through 20500 of the California Government Code (the "Retirement Law"), and the City contracted with the Board of Administration of PERS for that purpose. Under the Retirement Law and its contract with PERS, the City is obligated to make contributions to the System for certain amounts arising as a result of retirement benefits accruing to members of the System. The City previously issued its Pension Obligation Refunding Bonds, Series 1995 (the "1995 Bonds"), in an aggregate principal amount of \$108,635,000, pursuant to a Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), between the City and The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), as trustee (the "Trustee"), to refund the obligations of the City to PERS in respect of the City's then existing unfunded accrued actuarial liability under the contract with PERS and the Retirement Law.

The City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002A (the "Series 2002A Bonds") and the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002B (the "Series 2002B Bonds," and together with the Series 2002A Bonds, the "Series 2002 Bonds") were originally issued pursuant to the Original Trust Agreement, a First Supplemental Trust Agreement, dated as of August 1, 2002 (the "First Supplemental Trust Agreement"), between the City and the Trustee and a Second Supplemental Trust Agreement, dated as of August 1, 2002 (the "Second Supplemental Trust Agreement"), between the City and the Trustee, respectively, to provide for the payment and defeasance of a portion of the 1995 Bonds and to pay the costs of issuance of the Series 2002 Bonds. The Series 2002A Bonds in the aggregate principal amount of \$38,300,000 and the Series 2002B Bonds in the aggregate principal amount of \$38,250,000 will be remarketed on December 30, 2005 in connection with the conversion of such Series 2002A Bonds and Series 2002B Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity. Additionally, on December 30, 2005, \$1,200,000 aggregate principal amount of the Series 2002A Bonds and \$1,200,000 aggregate principal amount of the Series 2002B Bonds (which are not being remarketed) will be redeemed by the City. See "PLAN OF REMARKETING AND REFUNDING."

The Series 2002 Bonds will be remarketed as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and, when remarketed, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). The Series 2002 Bonds may be purchased only in book-entry form. Purchasers of beneficial interests in the Series 2002 Bonds ("Beneficial Owners") will not receive certificates representing their interest in the Series 2002 Bonds purchased, but will receive a credit balance on the books of DTC or a Participant in DTC. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

Interest on the Series 2002 Bonds will be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2006. Principal and premium, if any, of and interest on the Series 2002 Bonds will be payable by the Trustee to DTC. DTC will be responsible for remitting such principal, premium, if any, and interest to the Beneficial Owners of the Series 2002 Bonds.

In the opinion of Kutak Rock LLP, Bond Counsel, interest on the Series 2002 Bonds is exempt from State of California personal income taxes. See "STATE TAX MATTERS" herein. Interest on the Series 2002 Bonds is not excluded from gross income for federal income tax purposes. See "CERTAIN FEDERAL INCOME TAX CONSEQUENCES" herein. Bond Counsel expresses no opinion regarding any federal or other state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2002 Bonds.

The scheduled payment of principal of and interest on the Series 2002 Bonds when due are guaranteed under an insurance policy issued concurrently with the original delivery of the Series 2002 Bonds by FINANCIAL SECURITY ASSURANCE INC.

[FSA LOGO]

The Series 2002 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as more fully described herein. See "DESCRIPTION OF THE SERIES 2002 BONDS—Redemption."

THE BONDS (AS DEFINED HEREIN) CONSTITUTE THE ABSOLUTE AND UNCONDITIONAL OBLIGATIONS OF THE CITY PAYABLE FROM ALL AVAILABLE FUNDS OF THE CITY; HOWEVER, NO SPECIFIC SOURCE OF REVENUES OR OTHER FUNDS OF THE CITY ARE PLEDGED, NOR IS THE CITY OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION TO MAKE PAYMENTS OF PRINCIPAL AND PREMIUM, IF ANY, OF AND INTEREST ON THE BONDS. THE BONDS ARE NOT SUBJECT TO ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY HAS COVENANTED IN THE TRUST AGREEMENT (AS DEFINED HEREIN) TO PUNCTUALLY PAY THE INTEREST ON, AND THE PRINCIPAL AND PREMIUM, IF ANY, TO BECOME DUE ON EVERY BOND ISSUED PURSUANT TO THE TRUST AGREEMENT IN STRICT CONFORMITY WITH THE TERMS OF THE TRUST AGREEMENT AND OF THE BONDS, AND THAT IT WILL FAITHFULLY OBSERVE AND PERFORM ALL THE AGREEMENTS AND COVENANTS TO BE OBSERVED OR PERFORMED BY THE CITY CONTAINED IN THE TRUST AGREEMENT AND IN THE BONDS.

The purchase and ownership of the Series 2002 Bonds involve investment risk and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the Series 2002 Bonds. Investors are advised to read this Remarketing Circular in its entirety to obtain information essential to the making of an informed investment decision.

In connection with the remarketing of the Series 2002 Bonds, certain legal matters will be passed upon by Kutak Rock LLP, Bond Counsel. Certain other legal matters will be passed upon for the City by the City Attorney of the City of Long Beach, and certain legal matters will be passed upon for the City by Kutak Rock LLP, as Disclosure Counsel. It is expected that the remarketed Series 2002 Bonds will be available for delivery through the facilities of DTC, Clearstream, Luxembourg and Euroclear on or about December 30, 2005.

**Citigroup**  
(Remarketing Agent for the Series 2002 Bonds)

**Bear, Stearns & Co. Inc.**  
(Remarketing Agent for the Series 2002 Bonds)

Date of Remarketing Circular: \_\_\_\_\_, 2005.

4814-3045-3760.3

**MATURITY DATES, PRINCIPAL AMOUNTS,  
INTEREST RATES, PRICES AND CUSIPS**

**\$38,300,000**

**City of Long Beach, California  
Taxable Pension Obligation Refunding Bonds  
Series 2002A**

<b>Due September 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP<sup>1</sup></b>
----------------------------	-----------------------------	--------------------------	--------------	--------------------------

\$ \_\_\_\_\_ % Term Bonds due September 1, 20 \_\_, Price \_\_\_\_ %; CUSIP<sup>1</sup>: \_\_\_\_\_

\$ \_\_\_\_\_ % Term Bonds due September 1, 20 \_\_, Price \_\_\_\_ %; CUSIP<sup>1</sup>: \_\_\_\_\_

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**\$38,250,000**

**City of Long Beach, California  
Taxable Pension Obligation Refunding Bonds  
Series 2002B**

<b>Due September 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP<sup>1</sup></b>
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\$ \_\_\_\_\_ % Term Bonds due September 1, 20 \_\_, Price \_\_\_\_ %; CUSIP<sup>1</sup>: \_\_\_\_\_

\$ \_\_\_\_\_ % Term Bonds due September 1, 20 \_\_, Price \_\_\_\_ %; CUSIP<sup>1</sup>: \_\_\_\_\_

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<sup>1</sup> CUSIP numbers are provided only for the convenience of the reader. Neither the City nor the Remarketing Agents take any responsibility for the accuracy of such CUSIP numbers or for any changes to or errors in this list of CUSIP numbers. Copyright 2005, American Bankers Association. CUSIP data herein has been provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc.

**CITY OF LONG BEACH**  
**Los Angeles County, California**

**MAYOR AND CITY COUNCIL**

Beverly O'Neill  
*Mayor*

Jackie Kell, Fifth District  
*Vice Mayor*

Bonnie Lowenthal, *First District*  
Dan Baker, *Second District*  
Frank Colonna, *Third District*  
Patrick O'Donnell, *Fourth District*

Laura Richardson, *Sixth District*  
Tonia Reyes Uranga, *Seventh District*  
Rae Gabelich, *Eighth District*  
Val Lerch, *Ninth District*

**CITY OFFICIALS**

Gerald R. Miller  
*City Manager*

Michael A. Killebrew  
*Director of Financial Management/CFO*

David S. Nakamoto  
*City Treasurer*

Robert E. Shannon  
*City Attorney*

Gary L. Burroughs  
*City Auditor*

Thomas M. Reeves  
*City Prosecutor*

Larry Herrera  
*City Clerk*

**PROFESSIONAL SERVICES**

Kutak Rock LLP  
*Bond Counsel and Disclosure Counsel*

Public Financial Management Inc.  
San Francisco, California  
*Financial Advisor*

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

No dealer, broker, salesperson or other person has been authorized by the City of Long Beach, California (the "City") or Citigroup Global Markets Inc. and Bear, Stearns & Co. Inc. as remarketing agents (collectively, the "Remarketing Agents"), to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Remarketing Agents. This Remarketing Circular does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the Series 2002 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Remarketing Circular is not to be construed as a contract with the purchasers of the Series 2002 Bonds. Statements contained in this Remarketing Circular 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 facts. See "INTRODUCTORY STATEMENT—Forward-Looking Statements" herein.

The information set forth in this Remarketing Circular has been obtained from the City and other sources which are believed by the City to be reliable. The Remarketing Agents have provided the following sentence for inclusion in this Remarketing Circular. The Remarketing Agents have reviewed the information in this Remarketing Circular in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Remarketing Circular nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. This Remarketing Circular is submitted in connection with the remarketing of the Series 2002 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Other than with respect to information concerning Financial Security Assurance Inc. (the "Bond Insurer") contained under the caption "MUNICIPAL BOND INSURANCE" herein and "APPENDIX D—SPECIMEN FORM OF MUNICIPAL BOND INSURANCE POLICY," none of the information in this Remarketing Circular has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information or (ii) the validity of the Series 2002 Bonds.

THE SERIES 2002 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE TRUST AGREEMENT HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2002 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS REMARKETING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

[IN CONNECTION WITH THIS REMARKETING, THE REMARKETING AGENTS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2002 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE REMARKETING AGENTS MAY OFFER AND SELL THE SERIES 2002 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER

THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS  
REMARKETING CIRCULAR, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED  
FROM TIME TO TIME BY THE REMARKETING AGENTS.]

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## REMARKETING CIRCULAR

**\$38,300,000**  
**City of Long Beach, California**  
**Taxable Pension Obligation**  
**Refunding Bonds**  
**Series 2002A**

**\$38,250,000**  
**City of Long Beach, California**  
**Taxable Pension Obligation**  
**Refunding Bonds**  
**Series 2002B**

### INTRODUCTORY STATEMENT

#### General

The following introductory statement is subject in all respects to the more complete information set forth in this Remarketing Circular, including the cover page, the inside cover page and the appendices hereto (the "Remarketing Circular"). The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. For definitions of certain words and terms used but not otherwise defined herein, see "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT—Definitions."

The purpose of this Remarketing Circular is to provide certain information concerning the remarketing by the City of Long Beach, California (the "City") of its City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002A (the "Series 2002A Bonds"), in the aggregate principal amount of \$38,300,000, and its City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002B (the "Series 2002B Bonds," and collectively with the Series 2002A Bonds, the "Series 2002 Bonds") in the aggregate principal amount of \$38,250,000. The Series 2002 Bonds are being remarketed in connection with the conversion of the Series 2002 Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity. In addition to remarketing the Series 2002 Bonds as described above, on or about December 30, 2005, the City plans to redeem the Series 2002A Bonds not remarketed on such date (\$1,200,000) and the Series 2002B Bonds not remarketed on such date (\$1,200,000). See "PLAN OF REMARKETING AND REFUNDING."

#### Series 2002 Bonds

Pursuant to a contract effective July 1, 1950, as amended and restated as of July 19, 1991 (the "Contract"), between the City Council of the City (the "City Council") and the Board of Administration of the California Public Employees' Retirement System ("PERS" or the "System") established under California Government Code Sections 20000 through 20500 (the "Public Employees' Retirement Law"), the City is obligated to make payment to PERS arising as a result of retirement benefits accruing to City employees who are members of PERS. The City previously issued its City of Long Beach Pension Obligation Refunding Bonds, Series 1995 (Federally Taxable) (the "1995 Bonds") in an aggregate principal amount of \$108,635,000 pursuant to a Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), between the City and The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), as trustee (the "Trustee"), to refund certain of the City's obligations to make payments under the Contract and Article XXI, Section 2100 of the City Charter and the Public Employees' Retirement Law (collectively, the "Retirement Law").

The Series 2002A Bonds were originally issued pursuant to the Original Trust Agreement, a First Supplemental Trust Agreement, dated as of August 1, 2002 (the "First Supplemental Trust Agreement"),



between the City and the Trustee, as amended and supplemented pursuant to a Third Supplemental Trust Agreement, dated as of December 14, 2005 (the "Third Supplemental Trust Agreement"), between the City and the Trustee, and a resolution adopted by the City Council on July 23, 2002 (the "Resolution"), to provide for the payment and defeasance of a portion of the 1995 Bonds and to pay the costs of issuance of the Series 2002A Bonds. The Series 2002B Bonds were originally issued pursuant to the Original Trust Agreement, a Second Supplemental Trust Agreement, dated as of August 1, 2002 (the "Second Supplemental Trust Agreement"), between the City and the Trustee, as amended and supplemented pursuant to a Fourth Supplemental Trust Agreement, dated as of December 14, 2005 (the "Fourth Supplemental Trust Agreement"), between the City and the Trustee, and the Resolution, to provide for the payment and defeasance of a portion of the 1995 Bonds and to pay the costs of issuance of the Series 2002B Bonds. The Series 2002A Bonds are being remarketed pursuant to the Original Trust Agreement, the First Supplemental Trust Agreement, the Third Supplemental Trust Agreement and a Fifth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Fifth Supplemental Trust Agreement"), between the City and the Trustee. The Series 2002B Bonds are being remarketed pursuant to the Original Trust Agreement, the Second Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement and a Sixth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Sixth Supplemental Trust Agreement"), between the City and the Trustee. The Original Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement and the Sixth Supplemental Trust Agreement are collectively referred to herein as the "Trust Agreement."

The Series 2002 Bonds will mature as shown on the inside front cover page hereof, and will bear interest from December 30, 2005 at the rates indicated per annum, as shown on the inside cover page hereof, calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest will be payable semiannually on March 1 and September 1 of each year commencing March 1, 2006.

At the time of the remarketing and conversion and redemption of the Series 2002 Bonds, the Series 2002 Bonds will be Outstanding in the aggregate principal amount of \$75,450,000 (assumes that \$2,400,000 aggregate principal amount of the Series 2002 Bonds will be redeemed on December 30, 2005) and the 1995 Bonds, not previously defeased with the proceeds of the Series 2002 Bonds, will be Outstanding in the aggregate principal amount of \$18,305,000. The Outstanding Series 2002 Bonds, the Outstanding 1995 Bonds and any Additional Bonds (as defined herein) issued pursuant to the terms of the Trust Agreement will be collectively referred to herein as the "Bonds."

THE BONDS CONSTITUTE THE ABSOLUTE AND UNCONDITIONAL OBLIGATIONS OF THE CITY PAYABLE FROM ALL AVAILABLE FUNDS OF THE CITY; HOWEVER, NO SPECIFIC SOURCE OF REVENUES OR OTHER FUNDS OF THE CITY ARE PLEDGED, NOR IS THE CITY OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION TO MAKE PAYMENTS OF PRINCIPAL AND PREMIUM, IF ANY, OF AND INTEREST ON THE BONDS. THE BONDS ARE NOT SUBJECT TO ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY HAS COVENANTED IN THE TRUST AGREEMENT TO PUNCTUALLY PAY THE INTEREST ON, AND THE PRINCIPAL AND PREMIUM, IF ANY, TO BECOME DUE ON EVERY BOND ISSUED PURSUANT TO THE TRUST AGREEMENT IN STRICT CONFORMITY WITH THE TERMS OF THE TRUST AGREEMENT AND OF THE BONDS, AND THAT IT WILL FAITHFULLY OBSERVE AND PERFORM ALL THE AGREEMENTS AND COVENANTS TO BE OBSERVED OR PERFORMED BY THE CITY CONTAINED IN THE TRUST AGREEMENT AND IN THE BONDS.

## **Book-Entry Only and Global Clearance Procedures**

Ownership interests in the Series 2002 Bonds may be purchased in book-entry form only through The Depository Trust Company, New York, New York ("DTC") in the United States, or through Clearstream, Luxembourg or Euroclear in Europe. The Series 2002 Bonds will be remarketed in fully registered form only and, when remarketed, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as the securities depository of the Series 2002 Bonds and all payments of principal, premium, if any, and interest due on the Series 2002 Bonds will be made to DTC or its nominee. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2002 Bonds, references herein to the Owner or registered owner will mean Cede & Co. and will not mean the Beneficial Owners (as defined in "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES") of the Series 2002 Bonds. Clearstream, Luxembourg and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depository which in turn are to hold such positions in customers' securities accounts in such depository's name on the books of DTC. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

## **Bond Insurance**

Concurrently with the original issuance of the Series 2002 Bonds, Financial Security Assurance Inc. (the "Bond Insurer" or "Financial Security") issued its municipal bond insurance policy (the "Municipal Bond Insurance Policy") which will continue to insure the payment of the principal of and interest on the Series 2002 Bonds when due after the remarketing of the Series 2002 Bonds and the conversion of the Series 2002 Bonds to fixed interest rates. See "MUNICIPAL BOND INSURANCE" and "APPENDIX D—SPECIMEN FORM OF MUNICIPAL BOND INSURANCE POLICY."

## **Forward-Looking Statements**

This Remarketing Circular and appendices hereto contain statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

## **Continuing Disclosure**

Pursuant to that certain Amended and Restated Continuing Disclosure Certificate, to be dated December 30, 2005 (the "Amended and Restated Disclosure Certificate"), the City will covenant for the benefit of the Owners and Beneficial Owners of the Series 2002 Bonds to provide annually certain financial information and operating data of the type set forth herein, including, but not limited to, its audited financial statements, to each Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission (the "NRMSIRs") and to provide notice to the Municipal Securities Rulemaking Board or to the NRMSIRs of certain enumerated events, pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" herein and "APPENDIX E—FORM OF AMENDED AND RESTATED CONTINUING DISCLOSURE CERTIFICATE" for a description of the specific nature of

the annual report and notices of material events and a summary description of the terms of the Amended and Restated Disclosure Certificate pursuant to which such reports and notices are to be made.

### **Additional Information**

Additional information regarding this Remarketing Circular, copies of the documents referred to herein and annual financial statements of the City may be obtained by contacting the City of Long Beach, Department of Financial Management, City Treasurer, 6<sup>th</sup> Floor, 333 West Ocean Boulevard, Long Beach, California 90802, Telephone: (562) 570-6845.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Remarketing Circular nor any sale made hereunder nor any future use of this Remarketing Circular shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

## **PLAN OF REMARKETING AND REFUNDING**

### **Remarketing of Series 2002 Bonds**

The Series 2002A Bonds are being remarketed in the aggregate principal amount of \$38,300,000 and the Series 2002B Bonds are being remarketed in the aggregate principal amount of \$38,250,000 in connection with the conversion of the Series 2002 Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity. Pursuant to the Trust Agreement, the City, has the option, exercisable one time (unless the City revokes its election to convert the Series 2002 Bonds to bear interest at fixed interest rates or such other conditions required in order to convert the Series 2002 Bonds to bear interest at fixed interest rates are not met, as described in the following paragraphs, in which case the City may exercise the option until a fixed interest rate is determined), to convert the interest payable with respect to the Series 2002 Bonds to fixed interest rates to maturity. On December \_\_, 2005, Citigroup Global Markets Inc. and Bear, Stearns & Co. Inc., as remarketing agents (the "Remarketing Agents"), determined the fixed interest rates for the Series 2002 Bonds, as provided in the Trust Agreement. See the inside front cover of this Remarketing Circular for details on such fixed interest rates.

The City may revoke its election to effect a conversion of the Series 2002 Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity by giving written notice of such revocation to the Trustee and the respective broker-dealers for the Series 2002 Bonds at any time prior to the Business Day immediately preceding December 30, 2005. In the event the City revokes its election to convert the Series 2002 Bonds to bear interest at fixed interest rates, the Series 2002 Bonds will continue to bear interest at auction rates pursuant to the auction procedures set forth in the Trust Agreement, except that the Series 2002 Bonds will bear interest at the maximum auction rate (as described in the Trust Agreement) from December 30, 2005 until the next scheduled auction date.

On December 30, 2005, pursuant to the requirements set forth in the Trust Agreement, Bond Counsel is expected to deliver an opinion to the effect that the conversion of the Series 2002 Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity will not adversely affect the validity of the Series 2002 Bonds under the laws of the State of California (the "State"). In the event that Bond Counsel fails to deliver the opinion described in this paragraph on December 30, 2005,

the Series 2002 Bonds will continue to bear interest at auction rates pursuant to the auction procedures set forth in the Trust Agreement, except that the Series 2002 Bonds will bear interest at the maximum auction rate (as described in the Trust Agreement) from December 30, 2005 until the next scheduled auction date.

The Series 2002 Bonds will be subject to mandatory tender for purchase on December 30, 2005, at a purchase price (payable solely from the remarketing proceeds of the Series 2002 Bonds) equal to the principal amount of and accrued interest on the Series 2002 Bonds to, but not including, December 30, 2005.

**Refunding of Series 2002 Bonds**

In addition to converting \$38,300,000 aggregate principal amount of the Series 2002A Bonds and \$38,250,000 aggregate principal amount of the Series 2002B Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity, the City plans to redeem \$1,200,000 aggregate principal amount of the Series 2002A Bonds and \$1,200,000 aggregate principal amount of the Series 2002B Bonds on December 30, 2005. The City plans to redeem the Series 2002A Bonds and the Series 2002B Bonds, as described in the previous sentence, from certain available moneys of the City derived from moneys accumulated and set-aside to pay debt service on the Bonds.

**Estimated Sources and Uses of Funds**

The following table presents the estimated sources and uses of funds relating to the remarketing and refunding of the Series 2002 Bonds:

Estimated Sources of Funds	
Par Amount of Remarketed Series A Bonds	\$
Par Amount of Remarketed Series B Bonds	\$
City Contribution	_____
Total Estimated Sources of Funds	\$ _____
Estimated Uses of Funds	
Purchase of Tendered Series 2002 Bonds	\$
Redemption of Series 2002 Bonds	\$
Deposit to Bond Fund <sup>1</sup>	_____
Costs of Remarketing <sup>2</sup>	_____
Total Estimated Uses of Funds	\$ _____

<sup>1</sup> Amounts required to be deposited to Bond Fund to pay a portion of the principal and interest on the Series 2002 Bonds on March 1, 2006 and September 1, 2006.

<sup>2</sup> Includes the remarketing fee payable to the Remarketing Agents, legal cost and expenses, and other costs of remarketing.

**DESCRIPTION OF THE SERIES 2002 BONDS**

**General**

The Series 2002 Bonds will be remarketed in fully registered form in denominations of \$5,000 or integral multiples thereof. The Series 2002 Bonds will continue to be dated their original delivery date (August 15, 2002). The Series 2002 Bonds will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover page of this Remarketing Circular. The Trustee will

maintain at its corporate trust office books for the registration, exchange and transfer of the Series 2002 Bonds.

Ownership interests in the Series 2002 Bonds may be purchased in book-entry form only through DTC in the United States or through Clearstream, Luxembourg or Euroclear in Europe. The Series 2002 Bonds will be remarketed in fully registered form only and, when remarketed, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as the securities depository of the Series 2002 Bonds and all payments of principal, premium, if any, and interest due on the Series 2002 Bonds will be made to DTC or its nominee. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2002 Bonds, references herein to the Owner or registered owner will mean Cede & Co. and will not mean the Beneficial Owners of the Series 2002 Bonds. Clearstream, Luxembourg and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depository which in turn are to hold such positions in customers' securities accounts in such depository's name on the books of DTC. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

Interest on the Series 2002 Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2006 (individually, an "Interest Payment Date"), by check of the Trustee mailed by first-class mail on each Interest Payment Date to the registered owners whose names appear on the registration books of the Trustee as of the fifteenth (15<sup>th</sup>) calendar day of the month preceding each Interest Payment Date (a "Regular Record Date") or, upon the written request filed with the Trustee prior to any Regular Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of the Series 2002 Bonds, by wire transfer in immediately available funds. While the Series 2002 Bonds are held in the DTC book-entry system, all such payments will be made to Cede & Co. as the registered Owner of the Series 2002 Bonds for subsequent transmittal to the Beneficial Owners. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

The Series 2002 Bonds will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date or during the period from the fifteenth (15<sup>th</sup>) day of the month preceding an Interest Payment Date to such Interest Payment Date, in which event they will bear interest from such Interest Payment Date, or unless such date of authentication is prior to the first Regular Record Date, in which event they will bear interest from December 30, 2005; provided, however, that if at the time of authentication of any Series 2002 Bond, interest thereon is in default, such Series 2002 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Series 2002 Bonds.

## **Redemption**

**Optional Redemption.** The Series 2002 Bonds are subject to redemption prior to their maturity, at the option of the City, from any source available for such purpose, in whole or in part on any date, in such order of maturity as the City determines, at a redemption price equal to the greater of:

- (a) One-hundred percent (100%) of the principal amount of the Series 2002 Bonds to be redeemed; or
- (b) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2002 Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 12.5 basis points,

plus in each case, accrued and unpaid interest on the Series 2002 Bonds being redeemed to the date fixed for redemption.

For the purpose of determining the Treasury Rate, the following definitions will apply:

“Treasury Rate” means, with respect to any redemption date for a particular Series 2002 Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Series 2002 Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Series 2002 Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2002 Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2002 Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (ii) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the City.

“Reference Treasury Dealer” means an investment banking institution of national standing, specified by the City from time to time, that are primary U.S. Government securities dealers in New York City (which may be one or both of the Remarketing Agents) (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City shall substitute another Primary Treasury Dealer.

“Reference Treasury Deal Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2002 Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.

***Mandatory Sinking Fund Redemption.*** The Series 2002A Bonds maturing on September 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity, in part (as described below), on September 1 of each year, commencing on September 1, 20\_\_, at a redemption price equal to 100% of the principal amount of the Series 2002A Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption, in the aggregate principal amounts in the respective years as follows:

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
--	---------------------------------------

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\* Final Maturity

The Series 2002B Bonds maturing on September 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity, in part (as described below), on September 1 of each year, commencing on September 1, 20\_\_, at a redemption price equal to 100% of the principal amount of the Series 2002B Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption, in the aggregate principal amounts in the respective years as follows:

Sinking Fund Redemption Date (September 1)	Principal Amount to be <u>Redeemed</u>
--	--

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\* Final Maturity

**Selection of Series 2002 Bonds for Redemption.** If less than the total amount of the Series 2002 Bonds Outstanding are redeemed, the Series 2002 Bonds to be redeemed shall be selected by the City; provided, however, if less than all of the Series 2002 Bonds of a given maturity are redeemed, the Series 2002 Bonds of such maturity to be redeemed will be redeemed on a pro rata basis. "Pro rata" is determined, in connection with any optional or mandatory sinking fund redemption, in part, by multiplying the principal amount of the Series 2002 Bonds of such maturity to be redeemed on the applicable Redemption Date by a fraction, the numerator of which is equal to the principal amount of the Series 2002 Bonds of such maturity owned by an Owner, and the denominator of which is equal to the total amount of the Series 2002 Bonds of such maturity then Outstanding immediately prior to such Redemption Date, and then rounding the product down to the next lower integral multiple of \$5,000, provided that the portion of any Series 2002 Bonds to be redeemed are required to be in Authorized Denominations and all Series 2002 Bonds of a maturity to remain outstanding following any redemption are required to be in Authorized Denominations.

So long as there is a Securities Depository for the Series 2002 Bonds, there will be only one registered Owner and neither the City nor the Trustee will have responsibility for prorating partial redemptions among Beneficial Owners of the Series 2002 Bonds.

**Notice of Redemption.** Notice of redemption of the Series 2002 Bonds pursuant to the provisions summarized above will be given by the Trustee by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, to the respective Owners of the Series 2002 Bonds to be redeemed at the address shown on the registration books maintained by the Trustee for such purpose, provided, however that failure to give such notice by mailing or a defect in the notice or the mailing as to any Series 2002 Bonds will not affect the validity of any proceedings for redemption as to any other Series 2002 Bonds for which notice was properly given to the owner thereof. Additionally, on the date on which notice of redemption is mailed to the Owners of the Series 2002 Bonds, such notice will be give by first class mail, confirmed facsimile transmission, or overnight delivery service to each of the securities

depositories and to one or more of the information services as will be designated in writing by the City to the Trustee and to any additional information services as determined by the City. So long as DTC is Securities Depository for the Series 2002 Bonds, notice of any redemption of the Series 2002 Bonds will be sent by the Trustee only to Cede & Co.

*Effect of Redemption.* If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2002 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, Series 2002 Bonds so called for redemption will become due and payable, and from and after the date so designated, interest on such Series 2002 Bonds will cease to accrue, and the Owners of such Series 2002 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

## **SECURITY AND SOURCE OF PAYMENT FOR THE BONDS**

### **Bond Payments**

The Bonds constitute the absolute and unconditional obligations of the City payable from all available funds of the City; however, no specific source of revenues or other funds of the City are pledged, and the City is not obligated to levy or pledge any form of taxation to make payments of principal and premium, if any, of and interest on the Bonds. The Bonds are not subject to any constitutional or statutory debt limitation or restriction. The City has covenanted in the Trust Agreement to punctually pay the interest on, and the principal and premium, if any, to become due on every Bond issued pursuant to the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and that it will faithfully observe and perform all the agreements and covenants to be observed or performed by the City contained in the Trust Agreement and in the Bonds.

The Trust Agreement provides that the City is obligated to deposit or cause to be deposited with the Trustee, on or before October 30 of each year, the amount of interest due with respect to the Bonds on the next succeeding March 1 and September 1 and the amount of principal due with respect to the Bonds on the next succeeding September 1. At the time of the remarketing of the Series 2002 Bonds, the City will or will cause to be deposited with the Trustee amounts that will be sufficient (together with the earnings on such amounts) to pay all principal and interest due on the Bonds on March 1, 2006 and September 1, 2006, as applicable. See "THE CITY," "CITY FINANCIAL INFORMATION" and "APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE CITY OF LONG BEACH FOR FISCAL YEAR ENDING SEPTEMBER 30, 2004."

**THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DO NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.**

### **Additional Bonds**

The City may, at any time, issue additional bonds pursuant to the Trust Agreement on a parity with the 1995 Bonds and the Series 2002 Bonds ("Additional Bonds"), but only subject to the conditions set forth in the Trust Agreement, including the requirement that the proceeds of such Additional Bonds will be applied solely for (a) the purpose of satisfying any obligation to make payments to the System or the City's Pension Fund pursuant to the Retirement Law relating to pension benefits accruing to City employees, and/or for payment of all costs incidental to or connected with the issuance of Additional



Bonds for such purpose; and/or (b) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT." Notwithstanding the provisions of the Trust Agreement, the City may incur other obligations payable from available general fund moneys of the City.

### **Validation Proceedings**

On March 23, 1994, the City, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for Los Angeles County seeking judicial validation of the transactions relating to the issuance of the 1995 Bonds and certain other matters in an action entitled *The City of Long Beach vs. All Persons Interested, etc.*, Case No. NCO 13846. On April 26, 1994, the court entered a default judgment to the effect, among other things, that the 1995 Bonds and the Original Trust Agreement were valid, legal and binding obligations of the City and were in conformity with all applicable provisions of law and all applicable provisions of the City Charter. The judgment was not challenged.

### **MUNICIPAL BOND INSURANCE**

*The following information has been furnished by Financial Security for use in this Remarketing Circular. Neither the City nor the Remarketing Agents make any representation as to the accuracy or the completeness of such information or as to the absence of material adverse changes in such information. Reference is made to Appendix D for a specimen of Financial Security's municipal bond insurance policy.*

#### **Municipal Bond Insurance Policy**

Concurrently with the original issuance of the Series 2002 Bonds, Financial Security issued its Municipal Bond Insurance Policy for the Series 2002 Bonds. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2002 Bonds when due as set forth in the form of the Municipal Bond Insurance Policy included in "APPENDIX D—SPECIMEN FORM OF MUNICIPAL BOND INSURANCE POLICY."

The Municipal Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

#### **Financial Security Assurance Inc.**

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2005, Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,365,896,000 and its total unearned premium reserve was approximately \$1,719,641,000 in accordance with statutory accounting principles. At June 30, 2005, Financial Security's total shareholder's equity was approximately \$2,819,103,000 and its total net unearned premium reserve was approximately \$1,404,195,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Remarketing Circular until the termination of the offering of the Series 2002 Bonds. Copies of materials incorporated by reference will be provided on request to Financial Security Assurance Inc.: 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department, Telephone: (212) 826-0100.

The Municipal Bond Insurance Policy does not protect investors against changes in market value of the Series 2002 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2002 Bonds or the advisability of investing in the Series 2002 Bonds. Financial Security makes no representation regarding the Remarketing Circular, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Remarketing Circular.

### ANNUAL DEBT SERVICE REQUIREMENTS FOR BONDS

The following table sets forth the debt service requirements on the Outstanding Series 2002A Bonds, the Series 2002B Bonds and the 1995 Bonds.

<u>Bond Year</u> <u>Ending</u> <u>September 1</u>	<u>Series 2002A</u> <u>Bonds</u> <u>Principal</u>	<u>Series 2002A</u> <u>Bonds</u> <u>Interest</u>	<u>Series 2002B</u> <u>Bonds</u> <u>Principal</u>	<u>Series 2002B</u> <u>Bonds</u> <u>Interest</u>	<u>Total Debt</u> <u>Service for</u> <u>1995 Bonds</u>	<u>Total</u> <u>Combined</u> <u>Debt Service</u> <u>for</u> <u>Outstanding</u> <u>Bonds</u>
2006						
2007						
2008						
2009						
2010						
2011						
2012						
2013						
2014						
2015						
2016						
2017						
2018						
2019						
2020						
2021						

Source: City of Long Beach

### THE CITY

#### General

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 491,000, 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 5,800 persons within 22 departments.

The police department consists of approximately 1,498 uniformed officers and supporting personnel. The fire department operates 23 fire stations with approximately 554 firefighters, officers and employees. The City’s fire department currently maintains a Class One insurance rating.

The City’s Enterprise Funds (water, sewer, gas, airport, harbor solid waste management and towing) represent assets of more than \$2.479 billion. In Fiscal Year 2004, these municipal enterprises generated operating revenues equal to approximately \$727 million.

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, 2005, was estimated to be 491,564 persons. This figure represents 4.8% of the corresponding County figure and 1.3% of the corresponding State figure. The City’s population increased 28.6% during the three decades between 1970 and 2000. The following table sets forth the City’s population growth relative to the population of the County and the State. Population

data for 2001-2005 are as of January 1, while the census amounts for 1970, 1980, 1990 and 2000 are as of April 1.

**City of Long Beach,  
County of Los Angeles and State of California  
Population Data**

<b>Year</b>	<b>City of Long Beach</b>	<b>County of Los Angeles</b>	<b>State of California</b>
2005	491,564	10,226,506	36,810,358
2004	487,305	10,107,451	36,271,091
2003	481,026	9,979,361	35,691,442
2002	473,363	9,828,805	35,088,671
2001	467,315	9,662,859	34,441,561
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 2001 through 2005:

### City of Long Beach, County of Los Angeles and State of California Personal Income 2001-2005

Year*	Area	Total Effective Buying Income (in Thousands)	Median Household Effective Buying Income
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
2001	City of Long Beach	8,001,208	37,641
	Los Angeles County	169,417,226	41,628
	State of California	652,190,282	44,464

\*The information reported by Sales & Marketing Management Magazine, "Survey of Buying Power," for each year is based on statistics compiled during the previous year.

Source: Sales & Marketing; Survey of Buyer Power and Media Markets; 2001-2005

## Employment

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

The following table sets forth the average employment for major industry types within the Labor Market Area for September 2005:

**Los Angeles-Long Beach-Glendale Metropolitan Division Labor Market  
Wage and Salary Employment by Industry  
September 2005**

Industry	Employment	Percent of Total
Services	1,577,200	39.25%
Government	564,100	14.04
Manufacturing	472,600	11.76
Retail Trade	408,300	10.16
Financial Activities	245,900	6.12
Wholesale Trade	213,400	5.31
Information	209,400	5.21
Transportation, Warehousing, Utilities	165,800	4.12
Construction and Mining	154,200	3.84
Agriculture, Forestry, Fishing, Hunting	<u>7,500</u>	<u>0.19</u>
Total Wage and Salary	<u>4,018,400</u>	<u>100.00%</u>

Source: State of California Employment Development Department

The following table summarizes labor force, employment and unemployment by industry since 2000 in the City, the State and the United States:

**City of Long Beach Labor Market  
Labor Force, Employment and Unemployment Annual Average\***

Year	Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate (%)
2004	Long Beach <sup>1</sup>	226,057	211,708	13,280	5.9%
	California <sup>1</sup>	17,655,000	16,575,600	1,079,600	6.1
	United States <sup>2</sup>	147,401,000	139,252,000	8,149,000	5.5
2003	Long Beach	223,370	208,740	14,630	6.6
	California	17,460,000	16,282,700	1,177,300	6.7
	United States <sup>2</sup>	146,510,000	137,736,000	8,774,000	6.0
2002	Long Beach	219,090	205,290	13,800	6.3
	California <sup>3</sup>	17,375,800	16,214,900	1,160,900	6.7
	United States <sup>2</sup>	144,863,000	136,485,000	8,378,000	5.8
2001 <sup>3</sup>	Long Beach	218,410	206,940	11,470	5.3
	California	17,171,600	16,249,100	922,500	5.4
	United States <sup>2</sup>	143,734,000	136,933,000	6,801,000	4.7
2000 <sup>3</sup>	Long Beach	216,990	206,200	10,790	5.0
	California	16,892,000	16,056,500	835,500	4.9
	United States <sup>2</sup>	142,583,000	136,891,000	5,692,000	4.0

<sup>1</sup> Preliminary estimate

<sup>2</sup> Source: U.S. Department of Labor, Bureau of Labor Statistics

<sup>3</sup> Restated from prior year.

Source: State of California, Department of Employment Development

### Major Employers

The largest employer in the City is Boeing N.A. (formerly McDonnell Douglas Corporation), with facilities at the Long Beach Airport on a 424-acre site, employing approximately 10,500 persons. Boeing N.A. remains the only location in California where commercial or military production aircraft are presently being constructed. The Long Beach Unified School District is the second largest employer and employs approximately 9,064 people. The Long Beach Unified School District has 91 schools and serves approximately 97,560 students. See "—Education" below.

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 Veterans Affairs Medical Center.

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

**City of Long Beach  
Major Employers As of September 30, 2004**

<b>Employer</b>	<b>Number of Employees</b>
1. Boeing	10,500
2. Long Beach Unified School District	9,064
3. California State University (CSU), Long Beach	6,007
4. City of Long Beach	5,854
5. Long Beach Memorial Medical Center	3,500
6. Long Beach City College	2,000
7. Verizon	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. Pacific Hospital of Long Beach	800
13. Long Beach Transit	740
14. SCAN Health Plan	700
15. Epson America, Inc.	650

Source: City of Long Beach, Department of Community Development, Long Beach Major Employers Directory—current listing. City of Long Beach employees as of September 30, 2004 for permanent and part-time employees

### **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. This group includes such employers as Boeing N.A. and Gulfstream Aerospace Corp. Other important industries include petroleum and chemical production, metal fabrication and food and kindred product production.

### **Military Installations**

All of the major military installations previously located in the City have been closed. The Harbor Department of the City (the "Harbor Department") is converting the former Long Beach Naval Station and the former Long Beach Naval Shipyard to a container terminal. Other closed military facilities have been razed or converted into a variety of other uses including a research and development business park, a veterans homeless transition center, a United States Job Corps training facility, a public high school owned and operated by Long Beach Unified School District and a retail and entertainment center. The only military facility that will continue to influence the Long Beach economy is the Naval Weapons Station in Seal Beach, immediately to the south of the City. This facility continues to provide weapons service and ammunition to the Pacific Fleet. A Naval Reserve facility continues to operate in the City's port district.

### **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. See “—Transportation” below. 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.

The following table sets forth the City’s hotel/motel occupancy tax receipts (currently computed at 12%) during the period 2001-2005:

**City of Long Beach**  
**2001-2005 Hotel/Motel Occupancy Tax Receipts**  
**(in Millions)**

<b>Fiscal Year</b>	<b>Hotel/Motel Occupancy Tax Receipts</b>
2005	\$15.1
2004	14.1
2003	13.1
2002	12.4
2001	13.3

Source: City of Long Beach; California Department of Finance

Taxable sales transactions in the City increased 7% between 2003 and 2004. During the period 2000 through 2004, taxable transactions increased 16%. The following table illustrates the City's annual volume of taxable transactions from 2000 through 2004:

**City of Long Beach**  
**Taxable 2000-2004 Transactions**  
**(\$000s)**

Type of Business	2004	2003	2002	2001	2000
Apparel Stores	\$ 145,872	\$ 131,732	\$ 99,945	\$ 118,716	\$ 117,794
General Merchandise Stores	284,372	273,100	218,656	202,257	214,737
Drug Stores	65,720	63,603	58,993	54,791	49,245
Food Stores	196,174	203,254	195,800	199,250	198,804
Packaged Liquor Stores	29,508	29,867	31,389	31,710	31,305
Eating/Drinking Places	564,070	525,145	493,807	478,673	453,794
Home Furnishings and Appliance Stores	109,723	97,159	93,106	93,730	96,600
Building Materials and Farm Implements	198,218	173,894	154,739	159,755	144,843
Auto Dealers/Auto Supplies	375,778	391,878	402,841	403,501	369,298
Service Stations	381,084	342,291	237,447	313,911	292,500
Other Retail Stores	<u>423,398</u>	<u>372,922</u>	<u>393,807</u>	<u>389,058</u>	<u>361,499</u>
Retail Stores Totals	2,773,917	2,604,845	2,380,530	2,445,352	2,330,419
All Other Outlets	<u>1,157,785</u>	<u>1,069,665</u>	<u>1,002,499</u>	<u>1,102,710</u>	<u>1,059,954</u>
Total All Outlets	<u>\$3,931,702</u>	<u>\$3,674,510</u>	<u>\$3,383,029</u>	<u>\$3,548,062</u>	<u>\$3,390,373</u>

Source: HdL Companies and State of California, Board of Equalization

**Construction**

The City issued building permits valued at approximately \$267 million during Fiscal Year 2004. Of this total, approximately 62% consisted of residential construction and approximately 38% consisted of non-residential construction. The City's annual permit values since fiscal year 2000 are set forth below:

**City of Long Beach**  
**Building Permit Valuations**

Type of Permit	2000	2001	2002	2003	2004
<b>Residential</b>					
New Single Dwelling	\$ 23,896,703	\$ 27,661,559	\$ 35,396,824	\$ 11,032,511	\$ 16,824,990
New Multi Dwelling	860,004	86,310,691	43,115,646	109,533,689	32,401,304
Additions/Alterations	<u>47,435,660</u>	<u>60,510,740</u>	<u>85,067,499</u>	<u>104,586,708</u>	<u>116,133,274</u>
Total Residential	<u>\$ 72,192,367</u>	<u>\$174,482,990</u>	<u>\$163,579,969</u>	<u>\$225,152,908</u>	<u>\$165,359,568</u>
<b>Non-Residential</b>					
New Commercial	\$17,425,000	\$57,391,000	\$77,910,384	\$57,229,274	\$9,411,641
New Industrial	16,528,000	12,486,000	10,326,461	5,000,355	7,550,081
Other	26,362,989	26,919,855	42,046,740	31,086,592	15,598,360
Additions/Alterations	<u>59,433,201</u>	<u>67,758,512</u>	<u>57,591,861</u>	<u>100,248,915</u>	<u>68,900,290</u>
Total Non-Residential	<u>\$119,749,190</u>	<u>\$164,555,367</u>	<u>\$187,875,446</u>	<u>\$193,565,136</u>	<u>\$101,460,372</u>
Total Valuation	<u>\$191,941,557</u>	<u>\$339,038,357</u>	<u>\$351,455,414</u>	<u>\$418,718,044</u>	<u>\$266,819,940</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.

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 operates a homeport in Long Beach 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 approximately 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 since 2000:

**City of Long Beach  
Convention and Delegate Attendance**

<b>Calendar Year</b>	<b>Number of Conventions</b>	<b>Number of Delegates</b>
2004	218	495,302
2003	187	470,283
2002	125	405,870
2001	97	422,177
2000	127	633,000

Source: Long Beach Convention and Visitors Bureau

**Downtown Long Beach**

The Pine Avenue corridor has enjoyed success since the 1995 addition of such retailers as Bath and Body Works, Limited Express and an assortment of restaurants and coffee establishments. 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. Current retail and dining establishments report an increase in resident and visitor foot traffic to 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 Long Beach Towne Center L.P., a Delaware limited partnership.

**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, converting 300 acres of prime oceanfront property at the edge of downtown Long Beach into a major tourist destination.

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 oceanliner. The Aquarium of the Pacific is located on a five-acre site within Rainbow Harbor, and contains exhibits with more than 12,000 ocean animals, representing over 550 species native to the Pacific Ocean. The Aquarium also contains a theater, learning center, shark lagoons, 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 Tideland properties. The Upland properties are owned by the City and the revenues can be used for general-purpose activities. The Tideland properties are owned by the City in trust for the State. The

revenues generated by the Tideland properties, by legislation, are shared between the City, State and two contracting oil production companies, Occidental Petroleum Corp. and Tidelands Oil Production Company. The City's share can only be used in support of Tidelands purposes.

### **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 47,000 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 the Long Beach Transit, the Los Angeles County Metropolitan Transportation Authority and the 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 railyards. 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.

Containerized cargo represents the largest source of revenue for the Port. Throughput was approximately 5.8 million twenty-foot equivalent units for the calendar year ended December 31, 2004. 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 rail lines were 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 24 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. These tenant companies employ more than 18,000 workers.

The following table sets forth operations at the Long Beach Airport during the period 2001 through 2005.

### Long Beach Airport Traffic

Fiscal Year	Passengers	Cargo (lbs.)
2005 <sup>1</sup>	3,027,871	108,470,000
2004	2,941,971	113,419,000
2003 <sup>2</sup>	2,757,251	115,303,000
2002 <sup>3</sup>	1,018,994	112,335,000
2001 <sup>4</sup>	588,118	114,276,000

<sup>1</sup> In 2005, all 41 air carrier flights slots were used; 36 slots from four commercial airlines (Alaska, America West, American and JetBlue) and five slots from cargo carriers (Airborne Express, FedEx, and UPS). In addition, America West operated 3 commuter flights, out of the approved 25 commuter flights slots.

<sup>2</sup> In 2003, the total number of daily flights for JetBlue, American and America West Airlines increased from 32 to 35. Horizon started operations in October 2002 with three commuter flights.

<sup>3</sup> In 2002, the total number of daily flights for JetBlue, American, and America West Airlines increased from 11 to 32.

<sup>4</sup> Commercial passenger count decreased due to cessation of service by Winair Airlines.

Source: City of Long Beach, Airport Bureau

### 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 (the "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 City of Long Beach Gas and Oil Department (formerly known as Long Beach Energy).

### Education

The City is served by the Long Beach Unified School District, which provides primary and secondary educational instruction for approximately 97,560 students through the operation of 60 elementary schools, 15 junior high schools, 10 high schools, one K-12 school, two alternative schools, one continuation school and two community day 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. In 2004, the Long Beach City College average enrollment per semester was approximately 28,682. 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 the largest attendance in the California State University system with a current enrollment of approximately 33,363. The University's distinguished educational program offers 68 undergraduate and 54 graduate degree programs. Enrollment in the educational system serving the City and its residents for the past five years is set forth below:

**City of Long Beach  
Educational Enrollment**

Year	Long Beach Unified School District	Long Beach City College <sup>1</sup>	California State University (Long Beach) <sup>1</sup>
2004	97,560	28,682	33,363
2003	97,370	32,411	33,745
2002	96,488	29,444	32,693
2001	94,423	27,937	30,125
2000	94,527	26,930	29,237

<sup>1</sup> Average enrollment per semester.  
Source: Data furnished by each institution, respectively

The City also serves as the permanent headquarters for the 21-campus California State University and College System. The California University and College System's headquarters are located on a 6.4-acre site in the western portion of the City on land donated by the City. A new headquarters building, designed to replace the existing headquarters building, was completed in April 1999. The new facility replaced the existing Chancellor's Office of The California State University and provided additional office space for several California State University departments currently located in other areas.

Long Beach has become a center for companies and institutions engaged in the exploration of the ocean and the development of its resources. In 1982, the Trustees of the California State University and College System officially designated the Long Beach shoreline as the site for the creation of an Ocean Studies Center, an ocean science and technology education and research center to be operated by a consortium of six California State colleges in Los Angeles and Orange Counties.

**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 coordinates and maintains municipal and school recreational services, including 24 community centers, 50 sports fields, a mountain camp, 52 park playgrounds, 60 tennis courts, four golf courses and three swimming pools, including the Belmont Plaza Pool, an indoor-outdoor Olympic-size facility. This department also administers the Municipal Band, Sailing Center, Marine Stadium. The City's Parks, Recreation and Marine Department also maintains 72 parks totaling 1,200 acres and "beautified" areas totaling 1,680 acres. The Virginia Country Club golf course, a privately owned and operated golf course, is also located in the City.

The Marine Bureau has responsibility for the control and safeguarding of the recreational activities in the City's water areas. These areas include the shoreline and beaches, as well as the 3,700 boat slip Long Beach Marina. The Long Beach Marina is one of the world's largest municipally owned and operated small boat marinas.

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. In addition, the Long Beach Community Playhouse is well-known for the excellence of its productions and is in its 75<sup>th</sup> season.



## Largest Taxpayers

No single taxpayer accounts for more than 2.37% of the City's total assessed valuation. The largest taxpayer is AES Alamitos LLC, which had an assessed valuation as of September 30, 2004 of approximately \$629 million. A summary of the City's top 10 principal taxpayers is set forth below:

**CITY OF LONG BEACH**  
**Principal Taxpayers**  
**As of September 30, 2004**  
**(in thousands)**

Taxpayer	Industry	Valuation <sup>1</sup>	Percent of Total <sup>2</sup>
1. AES Alamitos LLC	Power Plant	\$ 629,000	2.37%
2. Boeing, N.A.	Industrial	547,223	2.06
3. Trizecahn Centers LLC	Office Building	141,639	0.53
4. Arco Terminal Services Corp.	Industrial	86,225	0.32
5. Pacific Towers Associates	Office Building	59,322	0.22
6. Alamitos Bay Partnership	Hotel	56,307	0.21
7. Arden Realty LP	Office Building	45,603	0.17
8. Essex Portfolio LP	Apartments	45,427	0.17
9. Long Beach Generation LLC	Power Plant	44,900	0.17
10. Atlantic Richfield Company	Industrial	<u>43,592</u>	<u>0.16</u>
Total		<u>\$1,699,238</u>	<u>6.38%</u>

<sup>1</sup> Local secured assessed valuation. Excludes mineral rights, possessory interest and unsecured assessed valuation.

<sup>2</sup> 2003-04 Local Secured Assessed Valuation: \$25,871,137,753. Source: HdL.

Source: City of Long Beach – Comprehensive Annual Financial Report

## Insurance Coverage

The City is self-insured for general, automobile and professional liability exposures. The City also self-insures for worker's compensation. As of September 30, 2005, a reserve of \$[ ] had been established to cover anticipated claims and judgments. Additionally, the City has in place all-risk property insurance in the amount of \$1.0 billion and a Public Employee Dishonesty, including Faithful Performance policy, with limits of \$5,000,000 which covers all employees, officers and elected officials.

## CITY FINANCIAL INFORMATION

### General

Accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. Operations of each fund are accounted for by providing a separate set of self-balancing accounts, which include its assets, liabilities, reserves, fund balances, revenues and expenditures.

The modified accrual basis of accounting is followed for the General Fund, Special Revenue Accounts, Capital Projects, Expendable Trust and Agency Funds. Under this method, expenditures (other than interest on long-term debt) are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they became measurable and available. The City considers the term "available" to mean collectible in the current period or soon enough thereafter to be used to pay liabilities

of the current period. The accrual basis of accounting is utilized for all Proprietary and Non-expendable Trust Funds.

The City employs the encumbrance method of accounting, under which purchase orders, contracts and other commitments are recorded to reserve fund balance. Such commitments are provided for during the annual budget process as carried-over commitments.

### **Budgetary Process**

The City Council adopts an annual budget for all funds prior to the start of the new fiscal year, which begins on October 1. The City Manager presents the proposed budget in early August, after which public hearings are conducted; the budget is adopted on or before September 30.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments, and within a given fund, without City Council approval; provided that the total appropriation at the fund level and at the department level does not change. Transfers of appropriations between funds or between departments require City Council approval. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

### **Financial Statements**

The accompanying financial statements were developed from City records. Certain information such as Fund Balances, Revenues, Expenditures and Transfers of Tax Supported Funds and the Tax Supported Fund cash flow analysis were developed by City staff for use in this Remarketing Circular.

Each year the City adopts and maintains a balanced budget in accordance with California law. Certain recurring revenues received by the City and savings accrued as a result of the City's fiscal management are reserved in the General Fund. The City uses certain of its special funds to pay some of its general fund expenditures. The City has not increased general taxes to provide money for general fund expenditures since June 1992.

The following financial statements reflect transactions and balances in the City's General Fund. The first table provides a statement of revenues, expenditures and changes in fund balances for the fiscal years ending September 30, 2000 through September 30, 2004. The second table reflects the General Fund balance sheet as of September 30, 2000 through September 30, 2004. The third table presents the actual General Fund budget for fiscal years 2005 and 2006. These tables are excerpts from the City's financial statements and may not include all relevant information. A complete review of the City's financial statements attached hereto as "APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE CITY OF LONG BEACH FOR FISCAL YEAR ENDING SEPTEMBER 30, 2004" including the footnotes thereto, is necessary in order to make an informed investment decision.

**City of Long Beach**  
**General Fund Revenues and Expenditures**

	2004	2003	2002	2001	2000
<b>Revenues</b>					
Property Taxes	\$ 55,677	\$ 53,331	\$ 50,274	\$ 49,091	\$ 44,160
Other Taxes	122,917	127,843	124,529	139,299	122,517
Licenses and Permits	17,161	15,734	15,802	13,847	10,710
Fines and Forfeitures	13,570	11,017	11,448	11,091	9,867
Use of Money and Property	15,416	15,952	17,892	18,090	16,586
From Other Agencies	31,403	43,351	49,952	47,244	41,750
Charge for Services	43,854	42,294	39,321	37,486	43,753
Other	<u>3,182</u>	<u>3,451</u>	<u>3,354</u>	<u>2,029</u>	<u>9,257</u>
Total Revenue	<u>303,180</u>	<u>312,973</u>	<u>312,572</u>	<u>318,177</u>	<u>298,600</u>
<b>Expenditures</b>					
<b>Current</b>					
Legislative and Legal	10,359	9,588	10,985	9,313	9,059
General Government	22,848	24,072	29,771	24,524	26,582
Public Safety	223,891	235,444	228,789	201,268	205,198
Public Health	4,749	4,428	4,419	3,952	3,598
Community and Cultural	42,665	42,313	43,700	37,497	36,322
Public Works	<u>30,105</u>	<u>30,710</u>	<u>31,786</u>	<u>24,190</u>	<u>29,425</u>
Total Current Expenditures	<u>334,617</u>	<u>346,555</u>	<u>349,450</u>	<u>300,744</u>	<u>310,184</u>
<b>Debt Service</b>					
Principal	5,575	4,037	718	726	354
Interest	<u>6,088</u>	<u>6,443</u>	<u>3,678</u>	<u>1,993</u>	<u>1,199</u>
Total Expenditures	<u>346,280</u>	<u>357,035</u>	<u>353,846</u>	<u>303,463</u>	<u>311,737</u>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	<u>(43,100)</u>	<u>(44,062)</u>	<u>(41,274)</u>	<u>14,714</u>	<u>(13,137)</u>
<b>Other Financing Sources (Uses) Proceeds</b>					
From Other Long-Term Obligations	15,910	3,643	24,337	2,257	3,060
Payment to Refunded Bond Escrow Agent	10,729	-	-	-	-
Advances Change in Principal	1,663	2,432	2,602	-	-
Operating Transfers In	46,865	49,283	27,812	21,355	25,084
Operating Transfers Out	<u>(10,323)</u>	<u>(16,726)</u>	<u>(17,081)</u>	<u>(15,000)</u>	<u>(15,598)</u>
Total Other Financing Sources (Uses)	<u>43,386</u>	<u>38,632</u>	<u>37,670</u>	<u>8,612</u>	<u>12,546</u>
<b>Excess of Revenues Over (Under)</b>					
Expenditures and Other Uses	286	(5,340)	(3,604)	23,326	(591)
Fund Balance—October 1	<u>161,236</u>	<u>166,666</u>	<u>170,270</u> <sup>1</sup>	<u>53,364</u>	<u>54,225</u>
Fund Balance—September 30	<u>\$161,522</u>	<u>\$161,236</u>	<u>\$166,666</u>	<u>\$ 79,960</u>	<u>\$ 53,634</u>

<sup>1</sup> Restated in FY 2002.

Source: City of Long Beach—Comprehensive Annual Financial Reports

**City of Long Beach  
General Fund Balance Sheet  
(In Thousands)**

	2004	2003	2002	2001	2000
<b>Assets</b>					
Pooled Cash and Cash Equivalents	\$ 33,547	\$ 42,121	\$ 41,659	\$ 55,963	\$ 41,760
Cash-Non-Pooled and Cash Equivalents <sup>1</sup>	35,611	43,960	31,602	25,337	18,127
Investment Interest Receivable	21	21	21	13	1,059
Property Taxes Receivable	7,903	7,949	8,161	8,812	12,659
Accounts Receivable	16,998	14,117	11,303	14,321	13,514
Allowances for Uncollectible Taxes and Accounts Receivable	14,554	12,214	9,307	12,650	11,235
Notes and Loans Receivable <sup>1</sup>	2,413	2,413	2,413	790	-
Due From Other Governments	15,854	22,027	19,406	18,643	14,246
Due From Other Funds	20,284	4,269	5,632	8,859	3,710
Advances to Other Funds	100,531	99,868	95,253	95,310	91,532
Allowances for Advances to Other Funds	-	-	-	93,310	89,532
Capital Lease Receivable	-	-	-	-	6,524
Inventory	62	61	65	72	651
Other Assets	6	6	-	7	7
<b>Total Assets</b>	<u>218,676</u>	<u>224,598</u>	<u>206,208</u>	<u>122,167</u>	<u>103,022</u>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts Payable	6,454	7,404	6,192	6,022	3,919
Accrued Wages Payable	6,943	5,299	4,694	3,882	3,719
Accrued Interest Payable	437	826	371	1,057	1,080
Tax and Revenue Anticipation Notes Payable	30,000	33,000	13,500	23,500	24,000
Due to Other Funds	2,898	1,388	1,182	1,003	952
Deferred Revenues	8,191	12,319	9,672	7,306	13,551
Deposits and Collections Held in Trust <sup>1</sup>	2,231	3,126	3,931	2,437	2,167
<b>Total Liabilities</b>	<u>57,154</u>	<u>63,362</u>	<u>39,542</u>	<u>45,207</u>	<u>49,388</u>
<b>Fund Balances (Reserved For)</b>					
Nonrecurrent Receivables	100,531	99,868	95,259 <sup>2</sup>	2,005	2,005
Asset Seizure Money	2,607	2,828	5,396	5,029	4,671
Encumbrances	2,762	1,279	1,858	3,475	2,406
Future Advances to Other Funds	1,486	1,486	1,486	1,486	1,486
Debt Service	5,672	7,074	7,928	1,726	-
Future Capital Projects and Special Programs <sup>1</sup>	948	3,109	11,177	816	116
<b>Total Reserved Fund Balance</b>	<u>114,006</u>	<u>115,644</u>	<u>123,104</u>	<u>14,537</u>	<u>10,684</u>
<b>Fund Balances (Unreserved For)</b>					
Emergency Contingency	33,756	32,946	32,946	28,374	28,374
Subsequent Years' Appropriations	11,260	10,146	8,116	21,549	12,076
Undesignated	2,500	2,500	2,500	2,500	2,500
<b>Total Unreserved Fund Balance</b>	<u>47,516</u>	<u>45,592</u>	<u>43,562</u>	<u>62,423</u>	<u>42,950</u>
<b>Total Fund Balances</b>	<u>161,522</u>	<u>161,236</u>	<u>166,666</u>	<u>76,960</u>	<u>53,634</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$218,676</u>	<u>\$224,598</u>	<u>\$206,208</u>	<u>\$122,167</u>	<u>\$103,022</u>

<sup>1</sup> Line items modified in final FY 2002 CAFR: Cash Equivalents, Notes Receivable, Deposits and Special Programs added in FY 2002.

<sup>2</sup> The fund balance increase to "Reserved For Nonrecurrent Receivables" represents reserve fund balance not available for current obligations since the debt has no specified repayment date.

Source: City of Long Beach—Comprehensive Annual Financial Reports

**City of Long Beach**  
**Adopted General Fund Budgets for**  
**Fiscal Years 2005 and 2006**  
**(In Thousands)**

	Adopted 2005 <sup>1</sup>	Adopted 2006 <sup>1</sup>
<b>Revenues</b>		
Property Taxes	\$ 61,483	
Other Taxes	111,967	
Licenses and Permits	16,861	
Fines and Forfeitures	13,526	
Use of Money and Property	16,703	
From Other Agencies	47,286	
Charge for Services	44,062	
Other	<u>7,599</u>	
<b>Total Revenue</b>	<b>319,487</b>	
<b>Current Expenditures</b>		
Legislative and Legal	11,035	
General Government	14,853	
Public Safety	250,573	
Public Health	4,612	
Community and Cultural	44,829	
Public Works	<u>32,565</u>	
<b>Total Current Expenditures</b>	<b>358,467</b>	
<b>Debt Service</b>		
Principal	6,419	
Interest	<u>6,505</u>	
<b>Total Expenditures</b>	<b>371,391</b>	
<b>Excess of Revenues Over</b> <b>(Under) Expenditures</b>	<b>(51,904)</b>	
<b>Other Financing Sources (Uses)</b>		
Proceeds from Other Long-Term Debt	--	
Operating Transfers In	43,988	
Operating Transfers Out	<u>(6,381)</u>	
<b>Total Other Financing Sources (Uses)</b>	<b>37,607</b>	
<b>Excess of Revenues and Other Sources Over</b> <b>(Under) Expenditures</b>	<b>(14,297)</b>	
Beginning Fund Balance-October 1	<u>161,522</u>	
Ending Fund Balance-September 30	<u>\$147,225</u>	

<sup>1</sup> Amounts reflect reclassifications done for Comprehensive Annual Financial Report preparation.  
Source: City of Long Beach-Comprehensive Annual Financial Report

## Pension Plans

### **PERS.**

**General.** *The following information concerning PERS is excerpted from publicly available sources, which the City believes to be accurate. PERS is not obligated in any manner for payment of debt service on the Bonds, and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, California 95814, Telephone: 888-225-7377 for other information, including information relating to its financial position and investments.*

The City contracts with PERS, a defined benefit, agent multiple-employer pension system. PERS provides retirement and disability benefits, including annual cost-of-living adjustments ("COLA"), and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the City, one for safety employees (the "Safety Plan") and one for non-safety employees (the "Miscellaneous Plan," and together with the Safety Plan, the "PERS Plans"). Benefit provisions and all other requirements are established by State statute and City ordinance.

Under the terms of the contract between PERS and the City, all full-time employees are eligible to participate in PERS and become vested in the system after five years of service.

The City has a multiple tier retirement plan with benefits varying by plan. Upon vesting, tier 1 (those hired on or before October 20, 1989) safety employees and tier 2 (those hired after October 20, 1989) safety employees who retire at age 50 are entitled to receive an annual retirement benefit, payable for life, in an amount not to exceed 3.0% of their average salary during the highest paid year of employment for each year of credited service. Upon vesting, tier 1 non-safety employees and tier 2 non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount not to exceed 2.7% of their average salary computed considering the highest paid year of employment for each year of credited service. Retirees under tier 1 are eligible to receive a maximum COLA of 5%, while retirees under tier 2 are eligible to receive a maximum COLA of 2%. In September 2004, the basis to compute the retirement benefit was unified under tier 1 with the exception of the COLA adjustment; this will remain the same as stated in the current stipulations. The PERS Plans also provide death and disability benefits.

In November 1998, the City was informed by PERS that all of the PERS Plans were overfunded based on the actuarial valuations completed as of June 30, 1997. Accordingly, the City's employer contribution rates were reduced to zero for the PERS Plans effective November 13, 1998, and continued at zero through the City's fiscal year ending September 30, 2004. As a result of PERS investment losses from July 1, 2000 to June 30, 2003, the City made its first contributions since fiscal year 1999 to the PERS Funds in fiscal year 2005.

**Safety Plan.** The most recent actuarial valuation of the Safety Plan, as of June 30, 2004, was performed by the Actuary and summarized by the Actuary in its report dated October 17, 2005 (the "Safety Plan Actuarial Report"). In the Safety Plan Actuarial Report, the Actuary concluded that the funded ratio of the Safety Plan as of June 30, 2004 was 102.2%, a reduction from the funded ratio of 103.7% in the actuarial valuation as of June 30, 2003. As of June 30, 2004, the Safety Plan had an excess of approximately \$28.4 million as compared to an excess of \$45.2 million as of June 30, 2003. The excess is the difference between the actuarial value of assets in the Safety Plan (\$1.295 billion as of June 30, 2004) and the accrued actuarial liabilities of the Safety Plan (\$1.267 billion as of June 30, 2004).

The \$16.8 million net change as of June 30, 2004 was primarily attributable to an \$[ ] million loss resulting from asset returns that underperformed the actuarially assumed rate of return of 7.75% and an \$[ ] million increase in accrued actuarial liabilities from changes in demographic data.

As of June 30, 2004, the actuarial value of assets of the Safety Plan (\$1.295 billion) differed from the market value of assets (\$1.274 billion) by \$21.0 million, because the actuarial value is the product of a "smoothing" technique used to dampen the effect of market volatility. The following actuarial smoothing technique was used by the Actuary: (1) first an expected value of assets is computed by bringing forward the prior year's actuarial value of assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return; and (2) the actuarial value of assets is then computed as the expected value of assets plus one-fifteenth of the difference between the actual market value of assets and the expected value of assets as of the valuation date. However, in no case will the actuarial value of assets be less than 80% or greater than 120% of the actual market value of assets. As of June 30, 2003, the actuarial value of assets of the Safety Plan differed from the market value of assets by \$115 million, however, a different smoothing technique was used on June 30, 2003 as compared to the technique used on June 30, 2004.

**Miscellaneous Plan.** The most recent actuarial valuation of the Miscellaneous Plan, as of June 30, 2004, was performed by the Actuarial & Employer Services Division of PERS (the "Actuary") and summarized by the Actuary in its report dated October 14, 2005 (the "Miscellaneous Plan Actuarial Report"). In the Miscellaneous Plan Actuarial Report, the Actuary concluded that the funded ratio of the Miscellaneous Plan as of June 30, 2004 was 95.9%, a reduction from the funded ratio of 99.0% in the actuarial valuation as of June 30, 2003. As of June 30, 2004, the Miscellaneous Plan had an unfunded actuarial accrued liability (the "UAAL") of approximately \$53.3 million as compared to a UAAL of \$12.0 million as of June 30, 2003. The UAAL is the difference between the actuarial value of assets in the Miscellaneous Plan (\$1.257 billion as of June 30, 2004) and the accrued actuarial liabilities of the Miscellaneous Plan (\$1.310 billion as of June 30, 2004). The \$41.3 million net change as of June 30, 2004 was primarily attributable to an \$7.5 million loss resulting from asset returns that underperformed the actuarially assumed rate of return of 7.75% and an \$18.8 million increase in accrued actuarial liabilities from changes in demographic data.

As of June 30, 2004, the actuarial value of assets of the Miscellaneous Plan (\$1.257 billion) differed from the market value of assets (\$1.236 billion) by \$20.9 million, because the actuarial value is the product of a "smoothing" technique used to dampen the effect of market volatility. The following actuarial smoothing technique was used by the Actuary: (1) first an expected value of assets is computed by bringing forward the prior year's actuarial value of assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return; and (2) the actuarial value of assets is then computed as the expected value of assets plus one-fifteenth of the difference between the actual market value of assets and the expected value of assets as of the valuation date. However, in no case will the actuarial value of assets be less than 80% or greater than 120% of the actual market value of assets. As of June 30, 2003, the actuarial value of assets of the Miscellaneous Plan differed from the market value of assets by \$111 million, however, a different smoothing technique was used on June 30, 2003 as compared to the technique used on June 30, 2004.

**Future Contribution Rates.** The City Charter requires member contributions to be actuarially determined to provide a specific level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level, and certain negotiated contracts which provide for the City to pay a portion of the employees' contributions.

Based upon recommendations made in the Safety Plan Actuarial Report, for fiscal year 2006 the City's employer contribution rate to the Safety Plan (based upon a percent of projected payroll) will be

15.10% (\$[ ] million) and the City's employee contribution rate to the Safety Plan (based upon a percent of projected payroll) will be 9.00%: a total contribution rate of 24.10%. The Safety Plan Actuarial Report projects a City employer contribution rate of 16.563% (\$[ ] million) and a City employee contribution rate of 9.000% for the Safety Plan in fiscal year 2007. The City cannot predict what levels of funding will be required in the future.

Based upon recommendations made in the Miscellaneous Plan Actuarial Report, for fiscal year 2006 the City's employer contribution rate to the Miscellaneous Plan (based upon a percent of projected payroll) will be 11.325% (\$[ ] million) and City's employee contribution rate to the Miscellaneous Plan (based upon a percent of projected payroll) will be 7.744%: a total contribution rate of 19.069%. The Miscellaneous Plan Actuarial Report projects a City employer contribution rate of 12.012% (\$[ ] million) and a City employee contribution rate of 7.752% for the Safety Plan in fiscal year 2007. The City cannot predict what levels of funding will be required in the future.

***Public Agency Retirement System-Defined Benefit Plan.*** In November 1994, the City established a Public Agency Retirement System Defined Benefit Plans for Special Status Consultants and Seasonal and Temporary Employees (collectively, the "Public Agency Plan"). The Public Agency Plan is a defined benefit, single employer retirement plan. The Public Agency Plan, which took effect on January 1, 1995, is administered for the City through a third-party administrator. The Public Agency Plan provides for retirement as well as death and disability benefits to eligible individuals and their beneficiaries.

The Public Agency Plan benefit is a lifetime monthly annuity equal to 1.50% times the final average of the participant's highest 36 consecutive months' salary for each year of service. The Public Agency Plan requires participant contributions of 6.2% of earnings for Special Status Consultants, and 3.0% of earnings for Seasonal and Temporary Employees. All eligible participants enter the Public Agency Plan upon hire, and all benefits are vested after five years of service for Special Status Consultants or immediately for Seasonal and Temporary Employers. However, Public Agency Plan participants immediately vest in their contributions.

The Public Agency Plan's annual pension cost for the fiscal year ended September 30, 2005, was \$0, based on the Public Agency Plan's actuary for the period from July 1, 2004 to June 30, 2005.

### **Vacation, Holiday Pay and Sick Leave**

The City records all vacation and holiday pay on the accrual basis as it is earned. The amount of vacation and holiday pay, if not used by the employee, is payable upon separation of service. It has been the City's experience that most vacation and holiday pay is taken each year by City employees. Accumulated sick leave at the time of retirement from City service may either be converted to pension service credit or be used to continue health insurance coverage under the City's health insurance program. As of September 30, 2005, there were 823 participants in the City's Retired Employees Health Insurance Program, and the cash value equivalent of the remaining unused sick leave for the current retirees totaled approximately \$23,105,000.

### **Employer/Employee Relations**

The City recognizes various certified employee organizations, the principal ones being the International Association of Machinists ("IAM"), Police Officers Association ("POA") and Fire Fighters Association ("FFA"), which collectively represent over 95% of all City employees in a variety of classifications. City nonmanagement employees are covered by negotiated agreements.



The contract with the IAM and the FFA expired on October 1, 2004 and June 30, 2004, respectively. The City and the IAM and the FFA are currently negotiating new contracts. Until new contracts are entered into, the City, the IAM and the FFA will continue to be subject to the terms of the respective expired contracts.

The POA is covered by an existing contract scheduled to expire on September 30, 2009. The City has not experienced a major work stoppage by City employees in the past five years.

### **Insurance Coverage**

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. As of September 30, 2005, the City accrued non-discounted estimates of \$95,935,000 for workers' compensation and general liability claims based upon past experience, modified for current trends and development. The City does not have any outstanding annuities. The City has recorded a current liability of \$20,900,000 and a long-term liability of \$75,035,000 in the Insurance Internal Service Fund. While the ultimate amount of losses incurred through September 30, 2005 is dependent on future developments, based upon information from the City attorney, outside counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses.

### **Bonded Indebtedness**

As of September 30, 2005 the City had outstanding revenue bonds (not payable from the City general fund) in the amount of \$1.133 billion, outstanding lease revenue bonds (payable from the City general fund) in the amount of \$424.2 million, outstanding redevelopment revenue bonds or tax allocation revenue bonds (not payable from the City general fund) in the amount of \$354.6 million, outstanding certificates of participation (a portion of which is payable from the City general fund) in the amount of \$15 million and outstanding pension obligation bonds (payable from the City general fund) in the outstanding amount of \$97.3 million. In addition to the outstanding revenue bonds (not payable from the City general fund) described in the previous sentence, the City has established commercial paper programs (not payable from the City general fund) for: (a) the Harbor Department in the aggregate principal amount of \$383,500,000 (\$60,150,000 aggregate principal amount of which was outstanding as of September 30, 2005); (b) the Water Department in the aggregate principal amount of \$15,000,000 (\$6,000,000 aggregate principal amount of which was outstanding as of September 30, 2005); (c) the Long Beach Airport in the aggregate principal amount of \$15,000,000 (\$1,020,000 aggregate principal amount of which was outstanding as of September 30, 2005); and the Gas and Oil Department in the aggregate principal amount of \$35,000,000 (\$0 aggregate principal amount of which was outstanding as of September 30, 2005). The City has no outstanding general obligation debt and has never defaulted on any principal or interest payments associated with any of its debt obligations. The City's currently outstanding indebtedness is set forth below:

**Summary of the City and Related Agencies  
Outstanding Debt  
(as of September 30, 2005)**

**Revenue Bonds**

<b>Issue Name</b>	<b>Final Maturity</b>	<b>Original Par Amount</b>	<b>Amount Outstanding</b>
Series 2005A & B Harbor Revenue Refunding Bonds	2025	\$257,975,000	\$257,975,000
Series 2005 Gas Utility Bonds <sup>1</sup>	2013	7,675,000	7,675,000
Series 2004A Taxable Variable Rate Demand Revenue Bonds (Towne Center)	2030	11,595,000	11,450,000
Series 2004A & B Harbor Revenue Refunding Bonds	2018	113,410,000	107,990,000
Series 2002A & B Harbor Revenue Bonds	2027	300,000,000	281,675,000
Series 2000A Harbor Revenue Bonds	2025	275,000,000	255,355,000
Series 1998A Harbor Revenue Refunding Bonds	2019	206,330,000	163,755,000
Series 1997A Water Revenue Refunding Bonds	2024	46,945,000	35,830,000
Series 1995 Marina Refunding Revenue Bonds	2008	31,725,000	9,320,000
Series 1994 Marina Subordinate Revenue Bonds	2009	1,310,000	475,000
Series 1993 Belmont Shore Parking Meter Revenue Bonds	2012	2,220,000	1,170,000

<sup>1</sup> Issued in connection with issuance of Long Beach Bond Finance Authority Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) 2005 Series A.

Source: City of Long Beach

**Lease Revenue Bonds**

<b>Issue Name</b>	<b>Final Maturity</b>	<b>Original Par Amount</b>	<b>Amount Outstanding</b>
Series 2005A Long Beach Bond Finance Authority ("LBBFA") Lease Revenue Bonds (Temple & Willow Facility Refinancing Project)	2028	\$ 8,145,000	\$ 8,145,000
Series 2003A (Non-AMT) & B (AMT) Southeast Resource Recovery Facility Authority Lease Revenue Bonds			
Series 2003A (Non-AMT)	2018	89,025,000	84,490,000
Series 2003B (AMT)	2018	31,210,000	29,560,000
Series 2003 LBBFA Lease Revenue Bonds (Skylinks Golf Course Project)	2029	6,890,000	6,490,000
Series 2002 LBBFA Lease Revenue Bonds (Public Safety Facilities)	2031	40,915,000	40,915,000
Series 2001 LBBFA Lease Revenue Refunding Bonds (Aquarium of the Pacific Project)	2030	129,520,000	129,520,000
Series 2001 LBBFA Lease Revenue Bonds (Plaza Parking Facilities)	2027	11,500,000	11,005,000
Series 1999 LBBFA Variable Rate Demand Lease Revenue Bonds (Long Beach Museum of Art)	2009	3,060,000	3,060,000
Series 1999A LBBFA Lease Revenue Bonds (Rainbow Harbor Refinancing Project)	2024	47,970,000	46,280,000
Series 1998B LBBFA Lease Revenue and Refunding Bonds (Temple & Willow)	2027	29,565,000	26,440,000
Series 1997A LBBFA Lease Revenue Refunding Bonds (Civic Center Project)	2027	43,655,000	38,280,000

Source: City of Long Beach

**Tax Allocation Revenue Bonds**

<b>Issue Name</b>	<b>Final Maturity</b>	<b>Original Par Amount</b>	<b>Amount Outstanding</b>
Series 2005A and B LBBFA Revenue Bonds (Redevelopment, Housing and Gas Utility Financings)			
(Central Redevelopment Project Area)	2040	\$56,930,000	\$56,930,000
(Los Altos Redevelopment Project Area)	2020	4,685,000	4,685,000
(North Long Beach Redevelopment Project Area)	2035	64,080,000	64,080,000
(Poly High Redevelopment Project Area)	2024	2,557,752	2,557,752
(West Beach Redevelopment Project Area)	2020	839,553	839,553
(Housing Projects)	2040	55,665,000	55,665,000
Series 2002A LBBFA Tax Allocation Revenue Bonds			
(Downtown Redevelopment Project Area)	2024	26,820,000	24,445,000
(North Long Beach Redevelopment Project Area)	2031	40,290,000	38,255,000
(Poly High Redevelopment Project Area)	2012	1,710,000	1,255,000
(West Beach Redevelopment Project Area)	2018	8,895,000	7,650,000
Series 2002B LBBFA Tax Allocation Revenue Bonds			
(Downtown Redevelopment Project Area)	2022	25,920,000	22,615,000
(West Long Beach Industrial Redevelopment Project Area)	2024	21,860,000	19,775,000
Series 1992 West Long Beach Industrial Tax Allocation Revenue Bonds	2017. <sup>1</sup>	36,470,000	17,345,000
Series 1992A Downtown Project Refunding Bonds	2017. <sup>1</sup>	81,020,000	38,520,000

<sup>1</sup> Maturity Date revised at partial defeasement of 1992 Bonds by the Series 2002B LBBFA Tax Allocation Revenue Bonds.  
Source: City of Long Beach

**Pension Obligation Bonds**

<b>Issue Name</b>	<b>Final Maturity</b>	<b>Original Par Amount</b>	<b>Amount Outstanding</b>
Series 2002A & B Pension Obligation Refunding Taxable Bonds (Auction Rate Securities)	2021	\$ 87,950,000	\$78,950,000
Series 1995 Pension Obligation Refunding Bonds	2011	108,635,000	18,305,000

Source: City of Long Beach

**Certificates of Participation**

<b>Issue Name</b>	<b>Final Maturity</b>	<b>Original Par Amount</b>	<b>Amount Outstanding</b>
Series 1997 Queensway Bay Parking Facility	2017	\$ 5,855,000	\$ 4,315,000
Series 1993 Airport	2016	16,815,000	10,710,000

Source: City of Long Beach

A schedule of the City's direct and overlapping debt as of December 1, 2005, is presented below:

**City of Long Beach**

2005-06 Assessed Valuation	\$34,603,447,649		
Redevelopment Incremental Valuation	<u>6,741,888,525</u>		
Adjusted Assessed Valuation	<u>\$27,861,559,124</u>		
		<b>% Applicable</b> <sup>1</sup>	<b>Debt 12/01/05</b>
<b>OVERLAPPING TAX AND ASSESSMENT DEBT</b>			
Los Angeles County		3.835%	\$ 621,462
Los Angeles County Flood Control District		3.821	5,423,910
Metropolitan Water District		1.964	8,236,820
Long Beach Community College District		88.322	89,955,867
Other Community College Districts		Various	1,430,735
Long Beach Unified School District		88.325	222,786,564
Los Angeles Unified School District		0.063	3,018,765
Paramount Unified School District		9.156	3,092,437
Other Unified School Districts		Various	868,776
City of Long Beach Community Facilities Districts		100.	68,975,000
City of Long Beach 1915 Act Bonds		100.	8,193,128
Los Angeles County Regional Park and Open Space Assessment District		3.835	<u>12,490,979</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ <u>425,094,443</u></b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			
Los Angeles County General Fund Obligations		3.835%	\$ 49,674,661
Los Angeles County Pension Obligations		3.835	40,271,235
Los Angeles County Superintendent of Schools Certificates of Participation		3.835	835,439
Los Angeles County Sanitation District No. 3 Authority		84.400	26,431,507
Los Angeles County Sanitation District No. 19 Authority		37.938	2,816,357
Other Los Angeles County Sanitation Authorities		Various	750,156
Long Beach Community College District Certificates of Participation		88.322	30,294,446
Compton Unified School District Certificates of Participation		0.030	8,996
Long Beach Unified School District Certificates of Participation		88.325	55,119,216
Los Angeles Unified School District Certificates of Participation		0.063	370,439
Paramount Unified School District Certificates of Participation		9.156	2,731,693
<b>City of Long Beach General Fund Obligations</b>		<b><u>100.</u></b>	<b><u>289,315,000</u></b> <sup>2</sup>
<b>City of Long Beach Pension Obligations</b>		<b><u>100.</u></b>	<b><u>97,255,000</u></b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ <u>595,874,145</u></b>
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)			1,504,471
<b>City of Long Beach self-supporting obligations</b>			<b><u>107,695,000</u></b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ <u>486,674,674</u></b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$ <u>1,020,968,588</u></b> <sup>3</sup>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ <u>911,769,117</u></b>

<sup>1</sup> Based on 2004-05 ratios.

<sup>2</sup> Excludes lease revenue bonds to be sold.

<sup>3</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation

Total Overlapping Tax and Assessment Debt..... 1.23%

Ratios to Adjusted Assessed Valuation

Gross Combined Direct Debt (\$386,570,000) ..... 1.39%  
 Net Combined Direct Debt (\$278,875,000) ..... 1.00%  
 Gross Combined Total Debt ..... 3.66%  
 Net Combined Total Debt ..... 3.27%

STATE SCHOOL BUILDING AID REPAYABLE AS OF JUNE 30, 2005: \$768

YV:(\$200 - update)

Source: California Municipal Statistics

## Assessed Valuation

The City uses the facilities of the County for tax assessment and collection. City taxes are assessed and collected at the same times and on the same tax rolls as County, school and special district taxes.

Under California law, two additional types of exemptions were authorized beginning in the tax year 1969-70. The first of these exempts 50% of the assessed valuation of business inventories from taxation. The second provides an exemption of \$7,000 of the assessed valuation of an owner-occupied dwelling from which application has been made to the County Assessor. Under a recently enacted constitutional amendment, the California Legislature can raise this exemption. Revenue estimated to be lost to local taxing agencies due to such exemption is reimbursed from State sources. The reimbursement is based upon total taxes due upon these exempt values and therefore is not reduced by any amounts for estimated delinquencies.

Summarized below is the assessed valuation and tax collection record of the City for the most recent five-year period:

**City of Long Beach**  
**Assessed Valuations and Tax Collection Record**  
**Fiscal Years 2000-2004**  
**(dollars in thousands)**

<b>Fiscal Year<sup>1</sup></b>	<b>Estimated Full Market Valuation<sup>2</sup></b>	<b>Valuation For Revenue Purposes</b>	<b>Total City Tax Levy</b>	<b>Total Current Tax Levy Collections</b>	<b>Percent of Levy Collected</b>
2004	\$29,613,229	\$28,830,023	\$100,538	\$99,745	99.2%
2003	26,454,417	25,731,996	83,222	85,699	103.0 <sup>3</sup>
2002	24,989,933	24,381,507	77,731	77,587	99.8
2001	23,688,371	22,963,171	70,841	69,338	97.9
2000	21,832,600	21,143,736	66,177	63,892	96.5

<sup>1</sup> Based on the County's fiscal year ending June 30.

<sup>2</sup> Equals valuation for revenue purposes.

<sup>3</sup> FY 2003 total current tax levy collections includes approximately \$2.87 million in unsecured redevelopment tax increments receipts as a result of a secured parcel audit for the entire city and its redevelopment areas for FY 1998 through FY 2002. The audit corrected misallocated tax rate areas.

Source: City of Long Beach-Comprehensive Annual Financial Report

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Recent Litigation Regarding Increase in Assessed Valuation" below.

## Tax Rates

Historically, properties in the County have been subject to taxation at varying rates by 80 municipalities, including the City and numerous special purpose districts. Each entity would set its budget expenses and then determine, subject to certain legal limitations, the property tax rate to be levied in order to raise sufficient funds. In 1979, the Constitution of the State of California was amended by Article XIII A ("Proposition 13") which provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the real property as shown on the 1975-76 tax bill or the appraisal value of real property when purchased or newly constructed after the 1975 assessment. The "full cash value" may also be annually adjusted to reflect inflation at a rate not to exceed 2% per year, a

reduction in the consumer price index or comparable local data, or decreases in property value caused by damage, destruction or other factors. Proposition 13 prohibits the levying of any other ad valorem property taxes except for property taxes required to pay debt service for voter-approved general obligation bonds.

Prior to the adoption of Proposition 13, real property was assessed at 25% of market value, and the tax rate was \$4 per \$100 of assessed value. Beginning in 1982, assessed valuation is calculated at 100% of market value, which reduces the tax rate to \$1 per \$100 of assessed value.

On November 7, 2000, the voters of the City approved Measure J, which provided for a reduction in the tax rate imposed upon users of electricity, gas, telephone and water services within the City. Measure J requires the utility users tax on changes made for such services to be reduced by 50% (10% each year for five years, commencing October 1, 2000). Proceeds from the utility users tax are considered a general fund revenue and are used to provide basic City services, such as police, fire and paramedic. No assurance can be given that the voters of the City will not, in the future, approve additional initiatives which reduce or repeal local taxes, assessments, fees or changes that currently are deposited in the City's General Fund.

The following chart summarizes all property tax rates for all overlapping governments per \$100 of assessed real property value within the City for the last five fiscal years:

**City of Long Beach  
Property Tax Rates  
All Overlapping Governments  
Per \$100 of Assessed Value  
Fiscal Years 2001-2005**

<b>Fiscal Year</b>	<b>County of Los Angeles</b>	<b>Special Districts</b>	<b>Total</b>
2005	\$1.0008	\$0.0646	\$1.0654
2004	1.0010	0.0611	1.0621
2003	1.0010	0.0428	1.0438
2002	1.0011	0.0376	1.0387
2001	1.0013	0.0263	1.0276

Source: City of Long Beach-Comprehensive Annual Financial Report

Beginning in fiscal year 1975, redevelopment tax increments were allocated to the City of Long Beach Redevelopment Agency. These redevelopment tax increments are computed on the basis of the redevelopment property increment values multiplied by the total tax rate for the fiscal year. Redevelopment property increment values represent the difference between the base value of properties designated for redevelopment and their market value.

**Tax Receipts**

Taxes received by the City include Property Taxes, Utility Users Taxes, Sales and Use Taxes, Transient Occupancy Taxes, Business License Taxes, and an Oil Production Tax. Of such taxes, Property Taxes, Utility Users Taxes and Sales and Use Taxes constitute the major sources of tax revenues. None of the general taxes currently imposed by the City are affected by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 218."

The following table sets forth tax revenues received by the City, by source:

**City of Long Beach  
Tax Revenues by Source  
For Fiscal Years 2001-2005  
(in Thousands)**

	2001	2002	2003	2004	2005 <sup>5</sup>
Property Tax	\$ 72,737	\$ 80,621	\$ 87,264	\$107,825	\$121,933
Utility Users Tax <sup>1</sup>	57,151	55,838	50,883	45,339	39,216
Sales & Use Tax	43,415	41,246	44,863	44,883	38,335
Transient Occupancy Tax	13,336	12,447	13,134	14,089	15,528
Business License Tax	8,052	8,067	8,430	9,284	9,880
Franchises	23,706 <sup>2</sup>	9,976	13,363	14,460	13,324
Oil Production Tax	2,365	2,257	2,245	2,306	2,335
Other <sup>3</sup>	<u>2,525</u>	<u>5,516</u>	<u>5,670</u>	<u>6,478</u>	<u>6,826</u>
Total <sup>4</sup>	<u>\$223,287</u>	<u>\$215,968</u>	<u>\$225,852</u>	<u>\$242,164</u>	<u>\$247,377</u>

<sup>1</sup> Utility Users Tax revenue decrease is due to Measure J. Measure J was a voter initiative that lowered the City's Utility Users Tax from 10% to 5%. The reduction takes place over five years starting in Fiscal Year 2001 and reduces the rate 1% a year until Fiscal Year 2005 when the rate goes to 5% and remains.

<sup>2</sup> Gas pipeline franchise fee increased during statewide energy crisis.

<sup>3</sup> Includes Real Property Transfer, Special Parking, Miscellaneous Taxes, and transfers from Enterprise Funds in lieu of taxes.

<sup>4</sup> Tax Revenues by Source include all Governmental Fund Types (General, Special Revenue, and Capital Projects Funds), including property tax and transient occupancy tax for the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenues in Fiscal Year 1998 through Fiscal Year 2002.

<sup>5</sup> Unaudited. Projected as of September 30, 2005.

Source: City of Long Beach

### Investment of City Funds

The City maintains an Investment Policy, which, pursuant to the provisions of Section 53646 of the California Government Code, is annually submitted to and reviewed by the Investment Committee of the City and approved by the City Council. Quarterly reports, which summarize the investment activity and portfolio balances, are also provided to the City Manager, the City Auditor and the City Council. In addition, the Investment Committee, comprised of the City Manager, the City Auditor, the City Attorney, the Director of Financial Management, the City Treasurer, the City Controller, the Budget Manager and the Chief Financial Officers of the Harbor and Water Departments, meets quarterly, or as needed, to review investment policies and strategies and to make recommendations consistent with approved investment policies.

The goal of the Investment Policy is to invest public funds in a prudent manner, maintaining maximum security, meeting the daily cash flow demand of the City and conforming to all State and local statutes governing the investment of public funds. The objectives of the Investment Policy are, in the following order of priority:

FIRST, *Safety of Principal*, through management of both credit risk and market risk as well as the application of the "Prudent Investor Rule." Credit risk is to be mitigated through prudent investment choices and portfolio diversification. Market risk is to be mitigated by limiting the weighted average maturity of the City's portfolio to a maximum of three years.

SECOND, *Return on Investment*, to attain market average rates of return through economic cycles. The investment strategy is to seek above market average rates of return consistent with the risk limitations and prudent investment principles of the City's Investment

Policy. The City has established two benchmark measures for the pool funds portfolio: the 91-day U.S. Treasury Bill rate for the short-term portfolio and the Merrill Lynch one- to three-year Government/Corporate Index for the long-term portfolio.

The City's investment alternatives are specified in California Government Code Sections 53600 et seq. Within this framework, the Investment Policy specifies authorized investments, subject to certain limitations.

According to the City Treasurer's Monthly Report for the quarter ending September 30, 2005, the City's invested funds totaled approximately \$1.327 billion. The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. These securities include U.S. Treasury Notes, U.S. Agency Notes, Medium-Term Corporate Notes, and other fixed income instruments. On September 30, 2005, 85% of the total City Portfolio was invested in U.S. Treasury and Agency Notes, 0% in Negotiable Certificates of Deposit, 7% in Medium-Term Notes, 0% in Commercial Paper, 7% in the State of California Local Agency Investment Pool (LAIF), and the balance of 1% was invested in other types of fixed income securities.

A summary of the City Treasurer's Monthly Report for the quarter ending September 30, 2005, is set forth below:

Invested Market Balance	\$1,326,864,129
Portfolio Market Yield	3.24%
Average Portfolio Maturity in Days	495 days
Average Portfolio Maturity in Years	1.36 years

Source: The City of Long Beach

In October 2000, Standard & Poor's Ratings Services issued and presently maintains, a credit quality rating on the City's Investment Pool of "AAAF" and a volatility rating of "S1." Any explanation of the significance of such a rating may be obtained from Standard & Poor's Ratings Services.

### **CERTAIN RISK FACTORS**

Investment in the Series 2002 Bonds involves risks which may not be appropriate for certain 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 Series 2002 Bonds. This discussion does not purport to be comprehensive or definite.

#### **Not a Pledge of Taxes**

While the Series 2002 Bonds constitute the absolute and unconditional obligations of the City payable from all available funds of the City, no specific source of revenues or other funds of the City are pledged, nor is the City obligated to levy or pledge any form of taxation to make payments of principal and premium, if any, of and interest on the Series 2002 Bonds. The Series 2002 Bonds are not subject to any constitutional or statutory debt limitation or restriction. The City has covenanted in the Trust Agreement to punctually pay the interest on, and the principal and premium, if any, to become due on every Bond issued pursuant to the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and that it will faithfully observe and perform all the agreements and covenants to be observed or performed by the City contained in the Trust Agreement and in the Bonds.



### **Additional Obligations of the City**

The City is permitted to enter into other obligations that constitute additional charges against its general revenues without the consent of Holders of the Series 2002 Bonds. To the extent that additional obligations are incurred by the City, the funds available to pay the Series 2002 Bonds may be decreased.

The payments on the Series 2002 Bonds are payable from funds lawfully available to the City. In the event that the amounts which the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

### **Limitations on Remedies**

If the City defaults on its obligations to make payments on the Series 2002 Bonds, the Trustee may proceed against the City as provided in the Trust Agreement. No property is pledged to secure the City's obligations on the Series 2002 Bonds.

If the City defaults on its obligations, there is no remedy of acceleration of any payments that have not come due and payable in accordance with the Trust Agreement. The City will continue to be liable for payments on the Series 2002 Bonds as they become due and payable in accordance with the Trust Agreement and the Trustee is required to seek a separate judgment each year for that year's defaulted payments. Any such suit for money damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds or property needed to serve the public welfare and interest.

### **Bankruptcy**

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Series 2002 Bond would be treated as a creditor in a municipal bankruptcy. Among the potential adverse effects of such a bankruptcy are: (a) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (b) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (c) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of owners of Series 2002 Bonds; and (d) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of all of the owners of Series 2002 Bonds, which Plan may restructure, delay, compromise or reduce the amount of the claim of the owners if the Bankruptcy Court finds that the Plan is fair and equitable. In addition, the Bankruptcy Code might invalidate any provision of the Series 2002 Bonds that makes the bankruptcy or insolvency of the City an event of default.

## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

### Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the City assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property values included in this Remarketing Circular (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The City is unable to predict the nature or magnitude of future revenue sources that may be provided by the State of California to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

### Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, County, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified out lay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (b) the investment of tax revenues; and (c) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (a) the percentage change in California per capita personal income, or (b) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

### **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 became effective on November 6, 1996. Senate Bill 919 was enacted to provide certain implementing provisions for Proposition 218 and became effective July 1, 1997. The City is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. If upheld, Proposition 218 could substantially restrict the City's ability to raise future revenues and could increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court.

Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes, including special taxes deposited into the City's General Fund. Proposition 218 also provides that any

general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 will continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. The City has not enacted, imposed, extended or increased any tax without voter approval since the effective date of Proposition 218. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through general taxes, and no assurance can be given that the City will be able to raise such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal certain local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing local taxes, assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes imposed by local ordinance, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. California Senate Bill 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after the effective date of Proposition 218 assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City's general fund. Further, "assessments," "fees" and "charges" are not defined in Article XIII C or Senate Bill 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The City is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the City's general fund. The City has assessed the potential impact on its financial condition of the provisions of Proposition 218 respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that Proposition 218 will impact the financial condition of the City, including its general fund. Although the City does not currently anticipate that the provisions of Proposition 218 would adversely affect its ability to pay the Lease Payments as and when due and other obligations payable from the general fund, no assurance can be given regarding the ultimate interpretation or effect of Proposition 218 on the City's finances.

Article XIII D adds several new requirements making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and Senate Bill 919 to mean any levy or charge upon real property for a

special benefit conferred upon the real property. The City anticipates that any impact Proposition 218 may have on existing or future taxes, fees and assessments will not adversely affect the ability of the City to pay the Lease Payments as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate the respective services in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges," which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1997, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (a) generate revenues exceeding the funds required to provide the property related service; (b) are used for any purpose other than those for which the fees and charges are imposed; (c) are for a service not actually used by, or immediately available to, the owner of the property in question; or (d) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase of such property based fee, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The City has imposed an increase in water rates since the effective date of Proposition 218. The City believes, and the City Attorney has confirmed, that because these rates are based upon volume of use, such fees are not property related and, therefore, not subject to the requirements of Proposition 218. Further, there has not been a legal challenge to this water rate increase. The City believes that all other "fees" and "charges" that are currently imposed by the City conform to the requirements of Proposition 218.

Proposition 218 is likely to undergo both judicial and legislative scrutiny before its impact on the City and its obligations can be determined. Certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law. The City is not able to predict the outcome of any such examination. Although a portion of the City's general fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes (or increases thereof) were either adopted prior to the effective date of Proposition 218 or were approved (or ratified) by majority vote of the electorate. The City believes, as a result, that its finances will not be impacted by Proposition 218.

Implementing legislation respecting Proposition 218, in addition to Senate Bill 919, has been introduced in the State legislature that would supplement and add provisions to California law to implement the initiative. No assurance can be given as to the final terms of such legislation or its potential impact on the City.

### **Proposition 62**

Proposition 62 was adopted by the voters at the November 4, 1986 general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental

purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a City-wide sales tax of one-half of 1% was a special tax that, under Section 53722 of the California Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, the special tax was found to be invalid. The *Santa Clara* decision did not address the question of whether or not it should be applied retroactively.

The *Santa Clara* decision also did not decide the question of the applicability of Proposition 62 to charter cities. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles*, (1993), 14 Cal. App. 4th 137 (rev. den. May 27, 1993), and *Fisher v. City of Alameda* (1993) 20 Cal. App. 4th 120 (rev. den. February 24, 1994), held that Proposition 62's restrictions on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs.

### **Proposition 1A**

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The City presently anticipates that the operation of Proposition 1A will not adversely affect the ability of the City to pay Lease Payments or any of its other obligations as and when due.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time

to time, other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be predicted by the City.

### **State of California Financial Condition**

The State is currently experiencing significant financial and budgetary stress. The City receives approximately 20% of its general fund revenues from the State (including funds provided by the State for specific State and federal programs). The financial condition of the State has an impact on the level of these revenues. There can be no assurances that the State's efforts to balance the State general fund will not materially adversely affect the financial condition of the City.

*Recent State Budgets.* Certain information about the State budgeting process and the State Budget is available through several State sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the City or the Remarketing Agents and is not incorporated herein by reference.

The California State Treasurer Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Certificate Information," posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

The California State Treasurer's Office Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance's Internet home page at [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at [www.lao.ca.gov](http://www.lao.ca.gov) under the heading "Products."

*2005-06 State Budget.* On July 11, 2005, Governor Schwarzenegger signed the 2005-06 Budget Act (the "2005-06 Budget Act") into law. The 2005-06 Budget Act assumes General Fund revenues and transfers will increase from \$79.545 billion in Fiscal Year 2004-05 to \$84.385 billion in Fiscal Year 2005-06. General Fund expenditures are expected to increase from \$81.712 billion in Fiscal Year 2004-05 to \$89.2 billion in Fiscal Year 2005-06, or approximately 9 percent. The 2005-06 Budget Act projects a reserve of \$1.3 billion as of June 30, 2006.

Certain of the features of 2005-06 Budget Act affecting local governments include the following:

(a) The State has enacted Vehicle License Fee reductions for the current and prior fiscal years, but under the law authorizing these reductions, the State is required to "backfill" local governments for their revenue losses resulting from the lowered rates, and the Vehicle License Fee rate must be increased whenever there are insufficient moneys in the State general fund to pay for the backfill. The 2004-05 budget originally provided funding for the State general

fund backfill payments to cover a full reduction in the Vehicle License Fee, however under the 2004-05 Budget Act the VLF rate is lowered from 2.0 percent to 0.65 percent and the VLF backfill is eliminated. The State will provide increased property tax revenues to compensate for the reduction in revenues local governments previously received from VLF. The 2005-06 Budget Act rejects the administration's proposal to prepay one-half of the \$1.2 billion VLF gap loan from local governments due in 2006-07, and agrees instead to a smaller prepayment of \$25 million and earmarks the payment for local agencies experiencing fiscal hardship, including those related to booking fee payments.

(b) Provides \$119 million (General Fund) or \$59 million over the May Revision, for all other non-education mandates. Rejects the administration's proposal to suspend elections-related mandates and requests a review of the peace officers bill of rights mandate. Assumes a 25% reduction in 2005-06 mandate costs attributable to increased auditing efforts.

The City cannot predict whether the State will continue to encounter budgetary problems in this or in any future fiscal years, and if it were to do so, it is unknown what measures would be taken by the State to balance its budget, as required by law. Accordingly, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

*Property Tax Shift to the Education Revenue Augmentation Fund.* In connection with its approval of former budgets, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting each agency's tax increment, net of amounts due to other taxing agencies, to school districts ("ERAF" shifts). The 2004-05 State Budget imposes an ERAF shift equal to \$1.3 billion in each of fiscal year 2004-05 and fiscal year 2005-06, to be apportioned among cities (\$350 million), counties (\$350 million), special districts (\$350 million) and redevelopment agencies (\$250 million). The City's share of this additional shift of property taxes is estimated to be approximately \$341,856 in each of the two years, but Proposition 1A prohibits (subject to certain limited "emergency" circumstances) any further transfers of non-education local government property taxes for the benefit of the State.

The City cannot predict whether the State Legislature will enact legislation impacting future revenues available to the City for payment of Base Rental Payments. Given the level of the State's budget deficit problems, it is possible that revenues available for payment of the Base Rental Payments may be reduced in the future by actions of the State Legislature.

*Triple Flip.* The City anticipates that property tax revenue could be an increasingly significant portion of City revenues, and that sales tax revenue could be an increasingly smaller portion of City revenues, at least over the next few fiscal years (it is expected that this circumstance would terminate once the deficit financing bonds described below are repaid), because of legislation, commonly referred to as the "Triple Flip." The Triple Flip legislation was passed by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of \$15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which would be payable from a fund to be established by the redirection of tax revenues through the Triple Flip. Under the "Triple Flip" one quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdiction will be redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provides for property taxes in the ERAF to be redirected to local government. Because the ERAF monies were previously



earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds are repaid. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

## **FINANCIAL STATEMENTS**

The City's financial statements for the fiscal year ended September 30, 2004, included in "APPENDIX A—GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE CITY OF LONG BEACH FOR FISCAL YEAR ENDING SEPTEMBER 30, 2004," have been audited by KPMG LLP, independent auditors, as stated in their reports appearing in such appendix. KPMG LLP has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Remarketing Circular, and no opinion is expressed by KPMG LLP with respect to any event subsequent to its report.

## **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA (collectively, "ERISA Plans"). Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code imposes substantially similar prohibited transaction restrictions on certain employee benefit plans, including tax qualified retirement plans described in Section 401(a) of the Code ("Qualified Retirement Plans") and on individual retirement accounts and annuities described in Sections 408(a) and (b) of the Code ("IRAs" collectively with Qualified Retirement Plans, "Tax-Favored Plans"). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Non-ERISA Plans"), are not subject to the requirements set forth in ERISA or the prohibited transaction restrictions under Code Section 4975. [Accordingly, the assets of Non-ERISA Plans may be invested in the Series 2002 Bonds without regard to the ERISA or Code considerations described, provided that such investment is not otherwise subject to the provisions of other applicable federal and state law ("Similar Law").] Any Non-ERISA Plan that is qualified under Section 401(a) and exempt from taxation under Section 501(a) of the Code is nevertheless subject to the prohibited transaction rules set forth in Section 503 of the Code. Any employee benefit plan, including a Non-ERISA Plan, that is a Qualified Retirement Plan and exempt from taxation under Sections 401(a) and 501(a) of the Code, however, is subject to the prohibited transaction rules set forth in ERISA and the Code.

In addition to the imposition of general fiduciary requirements, including those of investment prudence and diversification and the requirement that the investment of plan assets be made in accordance with the documents governing such ERISA Plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans ("Plan" or collectively "Plans") and entities whose underlying assets include "plan assets" by reason of Plans investing in such entities and persons who have certain specified relationships to the Plans ("Parties in Interest" or "Disqualified Persons" as such terms are defined by ERISA and the Code), unless a statutory or administrative exemption is available. Parties in Interest or Disqualified Persons that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA or Section 4975 of the Code unless a statutory or administrative exemption is available. Section 502(l) of ERISA requires the Secretary of the U.S. Department of Labor (the "DOL") to assess a civil penalty against a fiduciary that violates any fiduciary responsibility under ERISA or commits any other

violation of part 4 of Title I of ERISA or any other person who knowingly participates in such breach or violation.

ANY ERISA PLAN FIDUCIARY CONSIDERING WHETHER TO PURCHASE SERIES 2002 BONDS ON BEHALF OF AN ERISA PLAN OR WITH "PLAN ASSETS" SHOULD CONSULT WITH ITS COUNSEL REGARDING THE APPLICABILITY OF THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF ERISA AND THE CODE WITH RESPECT TO SUCH INVESTMENT AND THE AVAILABILITY OF ANY EXEMPTIONS. PERSONS RESPONSIBLE FOR INVESTING THE ASSETS OF TAX FAVORED PLANS THAT ARE NON-ERISA PLANS SHOULD CONSULT WITH COUNSEL REGARDING THE APPLICABILITY OF THE PROHIBITED TRANSACTION PROVISIONS OF THE CODE AND SIMILAR LAW WITH RESPECT TO SUCH INVESTMENT.

### CERTAIN FEDERAL INCOME TAX CONSEQUENCES

*Bondholders should be aware that: (a) the discussion in this Remarketing Circular with respect to U.S. federal income tax consequences of owning the Series 2002 Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.*

#### General

Interest on the Series 2002 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding federal tax consequences relating to the ownership or disposition of, or accrual or receipt of interest on, the Series 2002 Bonds.

The following is a summary of certain federal income tax consequences resulting from the ownership of Series 2002 Bonds by certain persons. This summary does not consider all the possible federal tax consequences of the purchase, ownership or disposition of the Series 2002 Bonds and is not intended to reflect the individual tax position of any owner. Moreover, except as expressly indicated, it addresses initial purchasers of a Series 2002 Bond that (a) purchase at a price equal to the first price to the public at which a substantial amount of the Series 2002 Bonds is sold; and (b) who hold the Series 2002 Bonds as capital assets within the meaning of Section 1221 of the Code. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Series 2002 Bonds (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Series 2002 Bond and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed below under "—Non-United States Holders," this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. This summary is based upon the United States federal tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or its interpretations, any of which may be applied retroactively. It does not discuss the tax laws of any state, local or foreign governments.

Persons considering the purchase of Series 2002 Bonds should consult their own tax advisors concerning the Federal income tax consequences to them in light of their particular situations as well as any consequences to them under the laws of any other taxing jurisdiction.

## **United States Holders**

**Characterization of the Series 2002 Bonds as Indebtedness.** The Series 2002 Bonds will constitute indebtedness for federal income tax purposes.

**Payments of Interest.** In general, interest on a Series 2002 Bond will be taxable to an owner who or which is (a) a citizen or resident of the United States, (b) a corporation created or organized under the laws of the United States or any State (including the District of Columbia) or (c) a person otherwise subject to federal income taxation on its worldwide income (a "United States holder") as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes.

**Series 2002 Bonds Purchased at a Market Discount.** A Series 2002 Bond, whether or not issued with original issue discount, will be subject to the "market discount rules." In general, market discount is the excess of the stated redemption price at maturity of a Series 2002 Bond less the holder's basis in a Series 2002 Bond. Thus, market discount generally will occur where a holder acquires a Series 2002 Bond for an amount that is less than the Series 2002 Bond's issue price (or revised issue price if a Series 2002 Bond is treated as being issued with an original issue discount), unless such difference is less than a specified de minimis amount.

In general, any partial payment of principal or any gain recognized on the maturity or disposition of a market discount obligation will be treated as ordinary income to the extent that such gain or payments of principal do not exceed the accrued market discount on such note. Alternatively, a United States holder of a market discount bond may elect to include market discount in income currently over the life of the market discount obligation. That election applies to all debt instruments with market discount acquired by the electing United States holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service.

Market discount accrues on a straight line basis unless the United States holder elects to accrue such discount on a constant yield to maturity basis. That election is applicable only to the market discount obligation with respect to which it is made and is irrevocable. A United States holder of a market discount bond that does not elect to include market discount in income currently generally may be required to defer deductions for interest on borrowings allocable to the bond in an amount not exceeding the accrued market discount on such bond until the maturity or disposition of the bond.

**Purchase, Sale, Exchange and Retirement of the Series 2002 Bonds.** A United States holder's tax basis in a Series 2002 Bond generally will equal its cost, increased by any market discount and original issue discount included in the United States holder's income with respect to the Series 2002 Bond. A United States holder generally will recognize gain or loss on the sale, exchange or retirement of a Series 2002 Bond equal to the difference between the amount realized on the sale or retirement and the United States holder's tax basis in the Series 2002 Bond. Except to the extent described above under "Series 2002 Bonds Purchased at a Market Discount," and except to the extent attributable to accrued but unpaid interest, gain or loss recognized on the sale, exchange or retirement of a Series 2002 Bond will be capital gain or loss and will be long term capital gain or loss if the Series 2002 Bond was held for the requisite period under the applicable provisions of the Code.

## **Non-United States Holders**

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Series 2002 Bonds by a person other than a United States holder or a former United States citizen or resident (a "non-United States holder").

An owner of a Series 2002 Bond that is a non-United States holder and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2002 Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2002 Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner).

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax, at the applicable rate determined by statute, will apply to interest paid and original issue discount accruing on Series 2002 Bonds owned by non-United States holders. In those instances in which payments of interest on the Series 2002 Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2002 Bonds having original issue discount and held by non-United States holders.

Purchasers of Series 2002 Bonds that are non-United States holders should consult their own tax advisors with respect to the possible applicability of United States withholding and other taxes upon income realized in respect of the Series 2002 Bonds.

### **Backup Withholding**

Payments of principal and interest (including original issue discount) on the Series 2002 Bonds may be subject to the "backup withholding tax" under Section 3406 of the Code, at the applicable rate determined by statute, if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payer certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

## **STATE TAX MATTERS**

In the opinion of Kutak Rock LLP, Bond Counsel, interest on the Series 2002 Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2002 Bonds. The proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

## **CERTAIN LEGAL MATTERS**

In connection with the conversion of the Series 2002 Bonds from bearing interest at auction rates to bearing interest at fixed interest rates to maturity, Kutak Rock LLP, Bond Counsel, is expected to deliver its opinion that as of the original date of issuance of the Series 2002 Bonds (August 15, 2002) and as of the date of conversion, the Series 2002 Bonds were and continue to be validly authorized, executed and issued. A complete copy of the proposed form of Bond Counsel's opinion is contained in "APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL." Certain legal matters will be passed upon for the City by the City Attorney and by Kutak Rock LLP, as Disclosure Counsel.

## **NO LITIGATION**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the remarketing and conversion of the Series 2002 Bonds, or the execution and delivery of the Trust

Agreement, or in any way contesting or affecting the validity of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

At the time of issuance and delivery of the Series 2002 Bonds, the City will certify that, among other things, there is no litigation pending against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the remarketing and conversion of the Series 2002 Bonds or the security for the Series 2002 Bonds, or contesting or affecting as to the City the validity or enforceability of the Series 2002 Bonds or the Trust Agreement, or contesting the completeness or accuracy of this Remarketing Circular, wherein an unfavorable decision, ruling or finding would materially adversely affect the authorization, execution, delivery or performance by the City of the Trust Agreement, nor, to the knowledge of the City, is there any basis therefor.

#### **FINANCIAL ADVISOR**

The City has retained Public Financial Management Inc., San Francisco, California, as financial advisor in connection with the Series 2002 Bonds. The financial advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Remarketing Circular.

#### **RATINGS**

At the time of the original delivery of the Series 2002 Bonds, Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") assigned ratings of "AAA," "Aaa" and "AAA," respectively, to the Series 2002 Bonds after taking into account the Municipal Bond Insurance Policy issued by Financial Security. As of the date of this Remarketing Circular, such ratings have not been withdrawn or changed. The City has not requested confirmations of such ratings in connection with the remarketing and conversion of the Series 2002 Bonds as described in this Remarketing Circular.

Any explanation of the significance of such a rating may be obtained from the rating agency furnishing such rating. The City furnished to Fitch, Moody's and S&P certain information and materials concerning the Series 2002 Bonds and the City. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that any rating assigned to the Series 2002 Bonds by a rating agency will be maintained for any given period of time or that it will not be lowered or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. Neither the City nor the Remarketing Agents have undertaken any responsibility either to bring to the attention of the owners of the Series 2002 Bonds any proposed change in or withdrawal of such rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the rating may have an adverse effect on the market price of the Series 2002 Bonds.

#### **CONTINUING DISCLOSURE**

Pursuant to the Amended and Restated Disclosure Certificate, the City will covenant to provide such annual financial statements and other information in the manner required by Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12) ("Rule 15c2-12"). These covenants will be made in order to assist the underwriters (as defined under Rule 15c2-12) in complying with Rule 15c2-12 and for the benefit of the owners of the Series 2002 Bonds. The City will covenant to provide certain financial information and operating data concerning the City to the NRMSIRs annually and to provide notice to the Municipal Securities Rulemaking Board or to the NRMSIRs of certain events,

pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12. See "APPENDIX E—FORM OF AMENDED AND RESTATED CONTINUING DISCLOSURE CERTIFICATE." A failure by the City to provide any information required thereunder will not constitute an Event of Default under the Trust Agreement. The City has never failed in any material respect to comply with any previous undertakings with regard to said Rule 15c2-12 to provide annual reports or notices of material events.

### REMARKETING

The Series 2002 Bonds are being remarketed on a best efforts basis by the Remarketing Agents. Pursuant to the Remarketing Agreement, dated as of December \_\_, 2005 (the "Remarketing Agreement"), between the City and the Remarketing Agents, the Remarketing Agents have no commitment to purchase any Series 2002 Bonds, but are obligated only to use their best efforts as agents to remarket the Series 2002 Bonds. The Remarketing Agents will receive, as compensation for services in connection with the remarketing of the Series 2002 Bonds, a fee of \$ \_\_\_\_\_.

### MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Series 2002 Bonds and the Trust Agreement and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Remarketing Circular. Copies, in reasonable quantity, of the Trust Agreement may be obtained during the offering period from the Remarketing Agents and thereafter upon request to the principal corporate trust office of the Trustee.

Any statements made in this Remarketing Circular involving matters of opinion or estimates, whether or not, expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The distribution of this Remarketing Circular has been authorized by the City.

CITY OF LONG BEACH

By \_\_\_\_\_  
Gerald R. Miller, City Manager

**APPENDIX A**

**GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE CITY OF LONG  
BEACH FOR FISCAL YEAR ENDING SEPTEMBER 30, 2004**

**APPENDIX B**

**SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT**



**APPENDIX C**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

December 30, 2005

City of Long Beach  
Long Beach, California

\$38,300,000  
City of Long Beach, California  
Taxable Pension Obligation  
Refunding Bonds  
Series 2002A

\$38,250,000  
City of Long Beach, California  
Taxable Pension Obligation  
Refunding Bonds  
Series 2002B

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Long Beach, California (the "City") in connection with the conversion of \$38,300,000 aggregate principal amount of the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002A (the "Series 2002A Bonds") and \$38,250,000 aggregate principal amount of the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002B (the "Series 2002B Bonds," and together with the Series 2002A Bonds, the "Series 2002 Bonds") from Auction Rate Securities (as such term is defined in the hereinafter defined First and Second Supplemental Trust Agreements) to Fixed Rate Bonds (as such term is defined in the hereinafter defined First and Second Supplemental Trust Agreements). The Series 2002 Bonds were originally issued pursuant to Article I, Section 109 of the Charter of the City of Long Beach and Article 11 (commencing with Section 53580) of the California Government Code (collectively, the "Bond Law"), and a Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), between the City and The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), as trustee (the "Trustee"), as supplemented by a First Supplemental Trust Agreement, dated as of August 1, 2002 (the "First Supplemental Trust Agreement"), between the City and the Trustee, and a Second Supplemental Trust Agreement, dated as of August 1, 2002 (the "Second Supplemental Trust Agreement"), between the City and the Trustee. The Series 2002 Bonds are being converted from Auction Rate Securities to Fixed Rate Bonds on the date hereof pursuant to the Original Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, dated as of December 14, 2005 (the "Third Supplemental Trust Agreement"), between the City and the Trustee, the Fourth Supplemental Trust Agreement, dated as of December 14, 2005 (the "Fourth Supplemental Trust Agreement"), between the City and the Trustee, the Fifth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Fifth Supplemental Trust Agreement"), between the City and the Trustee, and the Sixth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Sixth Supplemental Trust Agreement," and collectively with the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement and the Fifth Supplemental Trust Agreement, the "Trust Agreement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

We have examined originals, or copies identified to our satisfaction as being true copies, of the Trust Agreement, Resolution No. C-28054, adopted by the City Council of the City (the "City Council")

on July 23, 2002, Resolution No. C-\_\_\_\_\_, adopted by the City Council on December 13, 2005, such records of the City, certificates and other assurances from public officials and officers, opinions of the City Attorney dated August 15, 2002 and December 30, 2005, the approving opinion of Orrick, Herrington & Sutcliffe LLP (acting as bond counsel with respect to the initial issuance of the Series 2002 Bonds), dated August 15, 2002, opinions of counsel to the Trustee dated August 15, 2002 and December 30, 2005, and such other documents, opinions and matters as we have considered necessary or appropriate under the circumstances to render this opinion.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, including the default judgment rendered on April 26, 1994, by the Superior Court for the County of Los Angeles, South District in the action entitled *The City of Long Beach v. All Persons Interested, etc.*, No. NCO13846, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or events occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and we have assumed the accuracy of the factual matters represented, warranted or certified in the documents. In addition, we call your attention to the fact that the foregoing obligations of the City under the Series 2002 Bonds and the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting creditors' rights generally. In addition, the enforceability of the Series 2002 Bonds and the Trust Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific enforcement or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion regarding the availability of equitable remedies. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Our engagement with respect to the Series 2002 Bonds concludes upon their conversion to Fixed Rate Bonds, and we disclaim any obligation to update this letter. Further, we undertake no responsibility for the accuracy, completeness or fairness of the Remarketing Circular dated December \_\_, 2005 or any other offering material related to the Series 2002 Bonds and express no opinion relating thereto.

On the basis of the foregoing, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant under the circumstances, as of the date hereof, we are of the opinion that:

1. As of August 15, 2002 and as of the date hereof, the Series 2002 Bonds were and continue to be validly authorized, executed and issued in accordance with the Bond Law and the Trust Agreement and represent valid and binding obligations of the City.
2. The Trust Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, represents the valid and binding agreement of the City enforceable in accordance with its terms.
3. Interest on the Series 2002 Bonds is exempt from all present State of California personal income taxes. We express no opinion regarding other local, state or federal tax consequences related to the ownership of, the accrual or receipt of interest on, or the disposition of the Series 2002 Bonds.

**APPENDIX D**

**SPECIMEN FORM OF MUNICIPAL BOND INSURANCE POLICY**

## APPENDIX E

### FORM OF AMENDED AND RESTATED CONTINUING DISCLOSURE CERTIFICATE

This Amended and Restated Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the City of Long Beach, California (the "City") in connection with the remarketing of \$38,300,000 aggregate principal amount of the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002A (the "Series 2002A Bonds") and \$38,250,000 aggregate principal amount of the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002B (the "Series 2002B Bonds" and, together with the Series 2002A Bonds, the "Series 2002 Bonds"). The Series 2002A Bonds are being remarketed pursuant to that certain Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), by and between the City and The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), as trustee (the "Trustee"), a First Supplemental Trust Agreement, dated as of August 1, 2002 (the "First Supplemental Trust Agreement"), between the City and the Trustee, a Third Supplemental Trust Agreement, dated as of December 14, 2005 (the "Third Supplemental Trust Agreement"), between the City and the Trustee, a Fifth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Fifth Supplemental Trust Agreement"), between the City and the Trustee and a resolution adopted by the City Council of the City (the "City Council") on December 13, 2005 (the "Resolution"). The Series 2002B Bonds are being remarketed pursuant to the Original Trust Agreement, a Second Supplemental Trust Agreement, dated as of August 1, 2002 (the "Second Supplemental Trust Agreement"), between the City and the Trustee, a Fourth Supplemental Trust Agreement, dated as of December 14, 2005 (the "Fourth Supplemental Trust Agreement"), between the City and the Trustee, a Sixth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Sixth Supplemental Trust Agreement"), between the City and the Trustee and the Resolution. The Original Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement and the Sixth Supplemental Trust Agreement, are collectively referred to herein as the "Trust Agreement."

In consideration of the purchase of the Series 2002 Bonds by the Participating Underwriter, as defined below, the City covenants and agrees as follows:

**Section 1. Purpose of the Certificate.** This Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Series 2002 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

**Section 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

*"Annual Report"* means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Certificate.

*"Beneficial Owner"* means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2002 Bonds (including persons holding Series 2002 Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Series 2002 Bonds for federal income tax purposes.

*"Dissemination Agent"* means the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

*"Holders"* means either the registered owners of the Series 2002 Bonds, or if the Series 2002 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

*"Listed Events"* means any of the events listed in Section 5(a) of this Certificate.

*"National Repository"* means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Securities and Exchange Commission can be found at: <http://www.sec.gov/info/municipal/nrmsir.htm>.

*"Official Statement"* means the Remarketing Circular, dated December \_\_, 2005, prepared and distributed in connection with the remarketing of the Series 2002 Bonds.

*"Participating Underwriter"* means any of the original underwriters of the Series 2002 Bonds required to comply with the Rule in connection with the offering of the Series 2002 Bonds.

*"Repository"* means each National Repository and each State Repository.

*"Rule"* means 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"* means the State of California.

*"State Repository"* means any public or private repository or entity designated 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 Certificate, there is no State Repository.

### **Section 3. Provision of Annual Reports.**

(a) The City shall provide, or shall cause the Dissemination Agent to provide, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Certificate by a date not later than 180 days after the end of each of the City's fiscal year. The City's first Annual Report shall be due March 29, 2005. Not later than 15 Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). 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 Certificate. The audited financial statements of the City may be submitted separately from the balance of the Annual Report if they are not available by the date of submission. If the City's fiscal year changes, the City, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If by 15 Business Days prior to the date specified in paragraph (a) for providing the Annual Report to the Repositories, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with paragraph (a).

(c) If the City is unable to provide to the Repositories or the Dissemination Agent (if other than the City), an Annual Report by the date required in paragraph (a), the City shall send a

notice to the Municipal Securities Rulemaking Board (the "MSRB") and 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 Annual Report the name and address of each Repository; and

(ii) confirm in writing to the City (unless the City is the Dissemination Agent) that the Annual Report has been filed as required hereunder, stating the date filed and listing the Repositories to which the Annual Report was filed.

#### **Section 4. Content of Annual Reports.**

(a) The City's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable:

(i) audited financial statements of the City, updated to incorporate information for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the City, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(ii) the financial data and operating data with respect to the City, as described under the section of the Official Statement entitled "CITY FINANCIAL INFORMATION."

(b) Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each Repository 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 City shall clearly identify each such other document so included by reference.

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8(e), hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

#### **Section 5. Reporting of Significant Events.**

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events, if material:

- (i) principal and interest payment delinquencies;
  - (ii) nonpayment related defaults;
  - (iii) modifications to rights of bondholders;
  - (iv) optional, contingent or unscheduled bond calls;
  - (v) defeasances;
  - (vi) rating changes;
  - (vii) adverse tax opinions;
  - (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
  - (ix) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (x) substitution of the credit or liquidity providers or their failure to perform;
- and
- (xi) release, substitution or sale of property securing repayment of the Series 2002 Bonds.

(b) Whenever a Listed Event occurs with respect to the Series 2002 Bonds, the City shall as soon as possible, but in no event more than 10 days following such event, determine if such event is material under applicable federal securities laws.

(c) If the City determines that a Listed Event is material under applicable federal securities laws, the City shall promptly provide written notice of such occurrence to the Dissemination Agent (if other than the City), and the City or the Dissemination Agent, as the case may be, shall promptly provide such notice to the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in clauses (a)(iv) and (v) need not be given under this paragraph any earlier than the notice, if any, of the underlying event is given to Holders of affected Series 2002 Bonds pursuant to the Trust Agreement.

**Section 6. Termination of Reporting Obligation.** The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2002 Bonds, or upon delivery to the City and/or the Dissemination Agent, as the case may be, of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Series 2002 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 7. Dissemination Agent.** From time to time, the City may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the City) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorneys' fees).

The Dissemination Agent (if other than the City) shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Certificate.

**Section 8. Amendment Waiver.** Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived; provided that all of the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Series 2002 Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2002 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver either (i) is approved by the Holders of the Series 2002 Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2002 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next 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 City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (a) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (b) the 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.

**Section 9. Additional Information.** Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate 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 Certificate. If the City 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 Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the City to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Series 2002 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent (if other than the City), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Certificate in the event of any failure



of the City or the Dissemination Agent (if other than the City) to comply with this Certificate shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2002 Bonds.

**Section 12. Beneficiaries.** This Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2002 Bonds, and shall create no rights in any other person or entity.

**Section 13. Filing with Central Post Office.** Any filing under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Date: December 30, 2005

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
AND THE REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Long Beach, California

Name of Bond Issues: City of Long Beach, California Taxable Pension Obligation  
Refunding Bonds, Series 2002A

City of Long Beach, California Taxable Pension Obligation  
Refunding Bonds, Series 2002B

Date of Original Issuance: August 15, 2002

CUSIP: Series A Bonds:  
Series B Bonds:

NOTICE IS HEREBY GIVEN that the City of Long Beach, California (the "City") has not provided an Annual Report with respect to the above named Series 2002 Bonds as required by Section 3 of the Amended and Restated Continuing Disclosure Certificate, dated December 30, 2005, executed by the City for the benefit of the holders and beneficial owners of the above referenced bonds. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
Authorized Representative

## APPENDIX F

### BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARING PROCEDURES

*Investors acquiring beneficial ownership interests in the Series 2002 Bonds will hold their Series 2002 Bonds through DTC in the United States, or through Clearstream, Luxembourg or Euroclear in Europe if they are participants of these systems, or indirectly through organizations which are participants in these systems. The Series 2002 Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream, Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's name on the books of its respective depository which in turn will hold positions in customers' securities accounts in such depository's name on the books of DTC. [Citibank] N.A. will act as depository for Clearstream, Luxembourg and [The Chase Manhattan Bank] will act as depository for Euroclear. Except as described below, no person acquiring a Series 2002 Bond will be entitled to receive a physical certificate representing the Series 2002 Bonds. Unless and until definitive certificates are issued, it is anticipated that the only holder of the Series 2002 Bonds will be Cede & Co., as nominee of DTC.*

As described above, as long as a book-entry system is used, the Beneficial Owners of the Series 2002 Bonds or of interests in the Series 2002 Bonds will not receive or have the right to receive physical delivery of the Series 2002 Bonds, and will not be or be considered to be registered owners of the Series 2002 Bonds under the Trust Agreement.

THE CITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2002 BONDS, AS APPLICABLE (a) PAYMENTS OF PRINCIPAL OR INTEREST ON THE SERIES 2002 BONDS, AS APPLICABLE; (b) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2002 BONDS, AS APPLICABLE; OR (c) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2002 BONDS, AS APPLICABLE, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS REMARKETING CIRCULAR.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (a) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (b) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO

ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR ACCRETED VALUE OF OR INTEREST ON SERIES 2002 BONDS, AS APPLICABLE; (c) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE TRUST AGREEMENT; OR (d) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2002 BONDS, AS APPLICABLE.

### THE DEPOSITORY TRUST COMPANY

*Unless otherwise noted, the following information has been provided by DTC. Neither the City nor the Remarketing Agents make any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2002 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.*

The Series 2002 Bonds will be delivered in book-entry only form. DTC will act as securities depository for the Series 2002 Bonds. The Series 2002 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 Series 2002 Bond certificate will be issued for each maturity of the Series 2002 Bonds, each in the initial principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 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 Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The City does not undertake any responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Series 2002 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2002 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002 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 Series 2002 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 the Series 2002 Bonds, except in the event that use of the book-entry system for the Series 2002 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2002 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 Series 2002 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 Series 2002 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002 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.

While the Series 2002 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2002 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2002 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, Accreted Value and interest payments on the Series 2002 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 City or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Accreted Value 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 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 Series 2002 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2002 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2002 Bonds will be printed and delivered to the registered holders of the Series 2002 Bonds.

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City or the Remarketing Agents take any responsibility for the accuracy thereof.

## GLOBAL CLEARANCE PROCEDURES

*Unless otherwise noted, the information contained below has been provided by Clearstream, Luxembourg and Euroclear. Neither the City nor the Remarketing Agents make any representations as to the accuracy or the completeness of such information. The beneficial owners of the Series 2002 Bonds should confirm the following information with Clearstream, Luxembourg, Clearstream, Luxembourg participants, Euroclear and Euroclear participants.*

### **Clearstream, Luxembourg**

Clearstream Banking, société anonyme, Luxembourg, formerly Cedelbank ("Clearstream, Luxembourg"), has advised that it is incorporated under the laws of the Grand Duchy of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its participating organizations. Clearstream, Luxembourg facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (the "CSSF"). Clearstream, Luxembourg participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant, either directly or indirectly.

### **Euroclear**

Euroclear has advised that it was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./NV (the "Euroclear Operator"), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the Cooperative). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative

establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, central banks, securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator has advised that it is licensed by the Belgian Banking and Finance Commission to carry out banking activities on a global basis. As a Belgian Bank, it is regulated by the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within the Euroclear, withdrawals of securities and cash from the Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

#### **Distribution of the Series 2002 Bonds Through Clearstream, Luxembourg and Euroclear**

Distributions of the Series 2002 Bonds held through Clearstream, Luxembourg or Euroclear will be credited to the cash accounts of Clearstream, Luxembourg participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depository. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream, Luxembourg or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a bondholder under the Trust Agreement on behalf of a Clearstream, Luxembourg participant or Euroclear participant only in accordance with the relevant rules and procedures and subject to the relevant Depository's ability to effect such actions on its behalf through DTC.

The Series 2002 Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream, Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depositories which in turn will hold such positions in customers' securities accounts in the depositories' names on the books of DTC. Citibank, N.A. will act as depository for Clearstream, Luxembourg and The Chase Manhattan Bank of New York will act as depository for Euroclear.

Transfers between participants will occur in accordance with DTC Rules. Transfers between Clearstream, Luxembourg participants and Euroclear participants will occur in accordance with their respective rules and operating procedures. Because of time-zone differences, credits of securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream, Luxembourg participants on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of securities by or through a Clearstream, Luxembourg participant or Euroclear participant to a participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC Rules on behalf of the relevant European international clearing system by its depositary; however, such crossmarket transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions to the depositaries.

DTC has advised that it will take any action permitted to be taken by a bondholder under the Trust Agreement only at the direction of one or more participants to whose accounts with DTC the Series 2002 Bonds are credited. Clearstream, Luxembourg or Euroclear will take any action permitted to be taken by a bondholder under the Trust Agreement on behalf of a participant only in accordance with their relevant rules and procedures and subject to the ability of the relevant depositary to effect these actions on its behalf through DTC.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Series 2002 Bonds among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.



## APPENDIX E

### FORM OF AMENDED AND RESTATED CONTINUING DISCLOSURE CERTIFICATE

This Amended and Restated Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the City of Long Beach, California (the "City") in connection with the remarketing of \$38,300,000 aggregate principal amount of the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002A (the "Series 2002A Bonds") and \$38,250,000 aggregate principal amount of the City of Long Beach, California Taxable Pension Obligation Refunding Bonds, Series 2002B (the "Series 2002B Bonds" and, together with the Series 2002A Bonds, the "Series 2002 Bonds"). The Series 2002A Bonds are being remarketed pursuant to that certain Trust Agreement, dated as of October 1, 1995 (the "Original Trust Agreement"), by and between the City and The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), as trustee (the "Trustee"), a First Supplemental Trust Agreement, dated as of August 1, 2002 (the "First Supplemental Trust Agreement"), between the City and the Trustee, a Third Supplemental Trust Agreement, dated as of December 14, 2005 (the "Third Supplemental Trust Agreement"), between the City and the Trustee, a Fifth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Fifth Supplemental Trust Agreement"), between the City and the Trustee and a resolution adopted by the City Council of the City (the "City Council") on December 13, 2005 (the "Resolution"). The Series 2002B Bonds are being remarketed pursuant to the Original Trust Agreement, a Second Supplemental Trust Agreement, dated as of August 1, 2002 (the "Second Supplemental Trust Agreement"), between the City and the Trustee, a Fourth Supplemental Trust Agreement, dated as of December 14, 2005 (the "Fourth Supplemental Trust Agreement"), between the City and the Trustee, a Sixth Supplemental Trust Agreement, dated as of December 30, 2005 (the "Sixth Supplemental Trust Agreement"), between the City and the Trustee and the Resolution. The Original Trust Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement, the Fifth Supplemental Trust Agreement and the Sixth Supplemental Trust Agreement, are collectively referred to herein as the "Trust Agreement."

In consideration of the purchase of the Series 2002 Bonds by the Participating Underwriter, as defined below, the City covenants and agrees as follows:

**Section 1. Purpose of the Certificate.** This Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Series 2002 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

**Section 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

*"Annual Report"* means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Certificate.

*"Beneficial Owner"* means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2002 Bonds (including persons holding Series 2002 Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Series 2002 Bonds for federal income tax purposes.

*"Dissemination Agent"* means the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

*"Holders"* means either the registered owners of the Series 2002 Bonds, or if the Series 2002 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

*"Listed Events"* means any of the events listed in Section 5(a) of this Certificate.

*"National Repository"* means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Securities and Exchange Commission can be found at: <http://www.sec.gov/info/municipal/nrmsir.htm>.

*"Official Statement"* means the Remarketing Circular, dated December \_\_, 2005, prepared and distributed in connection with the remarketing of the Series 2002 Bonds.

*"Participating Underwriter"* means any of the original underwriters of the Series 2002 Bonds required to comply with the Rule in connection with the offering of the Series 2002 Bonds.

*"Repository"* means each National Repository and each State Repository.

*"Rule"* means 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"* means the State of California.

*"State Repository"* means any public or private repository or entity designated 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 Certificate, there is no State Repository.

### **Section 3. Provision of Annual Reports.**

(a) The City shall provide, or shall cause the Dissemination Agent to provide, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Certificate by a date not later than 180 days after the end of each of the City's fiscal year. The City's first Annual Report shall be due March 29, 2005. Not later than 15 Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). 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 Certificate. The audited financial statements of the City may be submitted separately from the balance of the Annual Report if they are not available by the date of submission. If the City's fiscal year changes, the City, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If by 15 Business Days prior to the date specified in paragraph (a) for providing the Annual Report to the Repositories, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with paragraph (a).

(c) If the City is unable to provide to the Repositories or the Dissemination Agent (if other than the City), an Annual Report by the date required in paragraph (a), the City shall send a

notice to the Municipal Securities Rulemaking Board (the "MSRB") and 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 Annual Report the name and address of each Repository; and
  - (ii) confirm in writing to the City (unless the City is the Dissemination Agent) that the Annual Report has been filed as required hereunder, stating the date filed and listing the Repositories to which the Annual Report was filed.

#### **Section 4. Content of Annual Reports.**

(a) The City's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable:

(i) audited financial statements of the City, updated to incorporate information for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the City, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(ii) the financial data and operating data with respect to the City, as described under the section of the Official Statement entitled "CITY FINANCIAL INFORMATION."

(b) Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each Repository 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 City shall clearly identify each such other document so included by reference.

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8(e), hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

#### **Section 5. Reporting of Significant Events.**

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events, if material:

- (i) principal and interest payment delinquencies;
  - (ii) nonpayment related defaults;
  - (iii) modifications to rights of bondholders;
  - (iv) optional, contingent or unscheduled bond calls;
  - (v) defeasances;
  - (vi) rating changes;
  - (vii) adverse tax opinions;
  - (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
  - (ix) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (x) substitution of the credit or liquidity providers or their failure to perform;
- and
- (xi) release, substitution or sale of property securing repayment of the Series 2002 Bonds.

(b) Whenever a Listed Event occurs with respect to the Series 2002 Bonds, the City shall as soon as possible, but in no event more than 10 days following such event, determine if such event is material under applicable federal securities laws.

(c) If the City determines that a Listed Event is material under applicable federal securities laws, the City shall promptly provide written notice of such occurrence to the Dissemination Agent (if other than the City), and the City or the Dissemination Agent, as the case may be, shall promptly provide such notice to the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in clauses (a)(iv) and (v) need not be given under this paragraph any earlier than the notice, if any, of the underlying event is given to Holders of affected Series 2002 Bonds pursuant to the Trust Agreement.

**Section 6. Termination of Reporting Obligation.** The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2002 Bonds, or upon delivery to the City and/or the Dissemination Agent, as the case may be, of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Series 2002 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 7. Dissemination Agent.** From time to time, the City may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the City) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorneys' fees).

The Dissemination Agent (if other than the City) shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Certificate.

**Section 8. Amendment Waiver.** Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived; provided that all of the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Series 2002 Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2002 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver either (i) is approved by the Holders of the Series 2002 Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2002 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next 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 City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (a) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (b) the 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.

**Section 9. Additional Information.** Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate 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 Certificate. If the City 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 Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the City to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Series 2002 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent (if other than the City), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Certificate in the event of any failure

of the City or the Dissemination Agent (if other than the City) to comply with this Certificate shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2002 Bonds.

**Section 12. Beneficiaries.** This Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2002 Bonds, and shall create no rights in any other person or entity.

**Section 13. Filing with Central Post Office.** Any filing under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Date: December 30, 2005.

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
AND THE REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Long Beach, California

Name of Bond Issues: City of Long Beach, California Taxable Pension Obligation  
Refunding Bonds, Series 2002A

City of Long Beach, California Taxable Pension Obligation  
Refunding Bonds, Series 2002B

Date of Original Issuance: August 15, 2002

CUSIP: Series A Bonds:  
Series B Bonds:

NOTICE IS HEREBY GIVEN that the City of Long Beach, California (the "City") has not provided an Annual Report with respect to the above named Series 2002 Bonds as required by Section 3 of the Amended and Restated Continuing Disclosure Certificate, dated December 30, 2005, executed by the City for the benefit of the holders and beneficial owners of the above referenced bonds. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
Authorized Representative