

**PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER \_\_, 2015**

**NEW ISSUE—BOOK-ENTRY ONLY**

**RATINGS:**

Fitch: "\_\_\_\_"  
S&P: "\_\_\_\_"

See "RATINGS" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the Authority and the City with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.



**\$12,530,000\***  
**FINANCE AUTHORITY OF LONG BEACH**  
**Lease Revenue Bonds, Series 2016A**  
**(Courthouse Demolition Project)**

**Dated: Date of Delivery**

**Due: August 1, as shown below**

The \$\_\_\_\_\_ \* Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project) (the "Bonds"), are being issued by the Finance Authority of Long Beach, a joint exercise of powers agency organized and existing under the laws of the State of California (the "Authority"), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), a Resolution of the Board of Directors of the Authority (the "Resolution") and an Indenture of Trust, dated as of January 1, 2016 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are being issued to finance costs of the hazardous materials abatement and demolition of the old County of Los Angeles Courthouse located on property owned by the City of Long Beach (the "City"), the relocation of the 3rd Street and Pacific Avenue storm drain, and one-time and construction costs related to the City's Civic Center project. See "THE PROJECTS" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Bonds are secured by a pledge of and lien on the Revenues (as defined herein), consisting primarily of Lease Payments (as defined herein), described below.

The City will lease certain real property and the improvements thereon from the Authority pursuant to a Lease Agreement, dated as of January 1, 2016 (the "Lease Agreement"), by and between the Authority and the City. Under the Lease Agreement, the City is required to make the Lease Payments from legally available funds in amounts calculated to be sufficient to pay principal of and interest on the Bonds when due, as described herein. All of the Authority's right, title and interest in and to the Lease Agreement (except for the right to receive any Additional Payments (as defined herein) to the extent payable to the Authority and certain rights to indemnification), including the right to receive Lease Payments under the Lease Agreement, are assigned to the Trustee under the Indenture for the benefit of the Bondowners. See "SECURITY FOR THE BONDS" herein. The obligation of the City to make Lease Payments and Additional Payments is subject to abatement during any period in which, by reason of damage, destruction or a taking by eminent domain, there is substantial interference with the use and occupancy by the City of any portion of the Property. See "SECURITY FOR THE BONDS—Abatement."

*The Bonds are subject to redemption prior to maturity as described herein.* See "THE BONDS—Option Redemption," "—Sinking Account Redemption," and "—Extraordinary Redemption from Insurance or Condemnation Proceeds" herein.

The Bonds are issuable in denominations of \$5,000 and any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2016. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS—General" herein and APPENDIX E—"BOOK-ENTRY ONLY SYSTEM."

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED SOLELY BY A PLEDGE OF AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PURSUANT TO THE INDENTURE AND THE REVENUES DERIVED FROM LEASE PAYMENTS BY THE CITY PURSUANT TO THE LEASE AGREEMENT. THE CITY HAS COVENANTED IN THE LEASE AGREEMENT TO TAKE SUCH ACTIONS AS MAY BE NECESSARY TO INCLUDE ALL LEASE PAYMENTS DUE THEREUNDER IN ITS ANNUAL BUDGETS AND TO MAKE THE NECESSARY ANNUAL APPROPRIATIONS THEREFOR. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

**MATURITY SCHEDULE**

**See the Inside Cover**

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers 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 Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Certain legal matters will be passed upon for the Authority by Quint & Thimmig LLP, acting as Disclosure Counsel. Certain matters will be passed on by the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Underwriter's Counsel. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York, on or about January 20, 2016.

**BofA Merrill Lynch**

Dated: January \_\_\_\_, 2016

\*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.

**\$12,530,000\***  
**FINANCE AUTHORITY OF LONG BEACH**  
**Lease Revenue Bonds, Series 2016A**  
**(Courthouse Demolition Project)**

**MATURITY SCHEDULE**

\$ \_\_\_\_\_ Serial Bonds, CUSIP Prefix: \_\_\_\_\_ †

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Suffix†
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\$ \_\_\_\_\_ % Term Bonds due August 1, 20 \_\_\_\_; Price: \_\_\_\_% Yield \_\_\_\_% CUSIP No.: \_\_\_\_ †

\* Preliminary, subject to change.

† Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the registered owners of the Bonds. None of the Authority, the City or the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**FINANCE AUTHORITY OF LONG BEACH**

**CITY OF LONG BEACH**

**Authority Board of Directors**

Patrick H. West, *Chairperson*  
John Gross, *Vice-Chair and Executive Director*  
David S. Nakamoto, *Treasurer/Auditor*

**Long Beach Mayor and City Council**

Dr. Robert Garcia  
*Mayor*

Dr. Suja Lowenthal  
*Second District, Vice Mayor*

Lena Gonzalez, *First District*  
Suzie Price, *Third District*  
Daryl Supernaw, *Fourth District*  
Stacy Mungo, *Fifth District*

Dee Andrews, *Sixth District*  
Roberto Uranga, *Seventh District*  
Al Austin, *Eighth District*  
Rex Richardson, *Ninth District*

**City Staff**

Patrick H. West, *City Manager*  
Tom Modica, *Assistant City Manager*  
John Gross, *Director of Financial Management*  
David S. Nakamoto, *City Treasurer*  
Charles Parkin, *City Attorney*  
Laura L. Doud, *City Auditor*  
Maria de la Luz Garcia, *City Clerk*

**Professional Services**

KNN Public Finance  
Los Angeles, California  
*Municipal Advisor*

U.S. Bank National Association  
Los Angeles, California  
*Trustee*

Quint & Thimmig LLP  
Larkspur, California  
*Bond Counsel and Disclosure Counsel*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that 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.

The information set forth in this Official Statement has been obtained from official sources and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Authority's or the City's forecasts in any way, regardless of the level of optimism communicated in the information. The Authority is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See "CONTINUING DISCLOSURE" herein.

**In connection with the offering of the Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.**

**The Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon an exemption from the registration requirements contained in the Securities Act. The Bonds have not been registered or qualified under the securities laws of any state.**

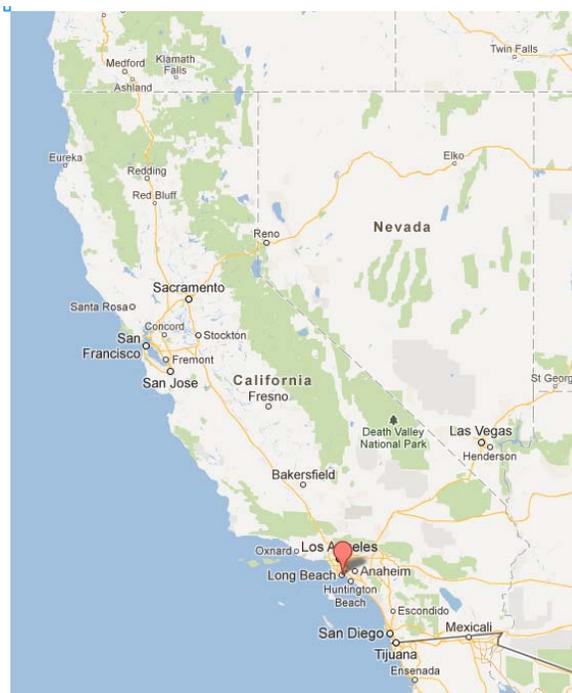
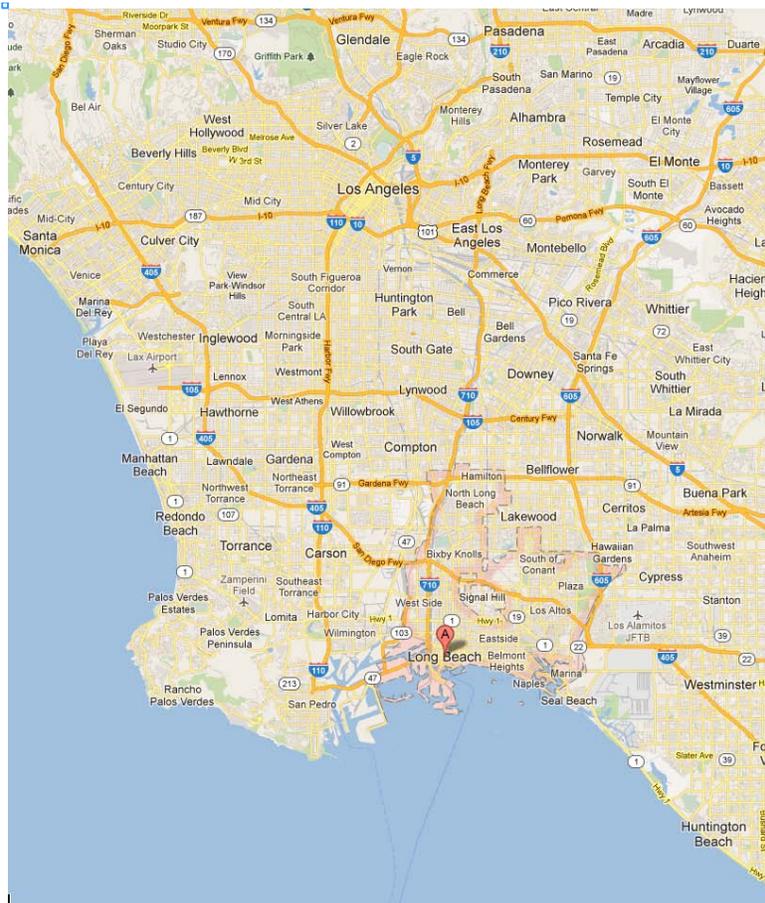
The City maintains a website, however, the information presented on the website is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Bonds.

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# LOCATION MAPS



## OFFICIAL STATEMENT

**\$12,530,000\***  
**FINANCE AUTHORITY OF LONG BEACH**  
**Lease Revenue Bonds, Series 2016A**  
**(Courthouse Demolition Project)**

### INTRODUCTION

The following introduction presents a brief description of certain information in connection with the Bonds (as defined below) and is qualified in its entirety by reference to this entire Official Statement and the documents summarized or described herein. References to, and summaries of, provisions of the Constitution and the laws of the State of California (the "State") and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. Capitalized terms used in this Official Statement and not defined herein have the meanings given to such terms in the Indenture. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Definitions."

#### General Description

This Official Statement, including the cover page, the inside cover page and the attached appendices (this "Official Statement"), provides certain information concerning the issuance of \$12,530,000\* principal amount of Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (the "Bonds"), by the Finance Authority of Long Beach, a joint exercise of powers agency organized under the laws of the State (the "Authority").

The Bonds are being issued pursuant to Article 4 of Chapter 5 of of Division 7 of Title 1 of the California Government Code, a resolution of the Authority authorizing the issuance of the Bonds adopted on December 15, 2015 (the "Authority Resolution") and an Indenture of Trust, dated as of January 1, 2016 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds are being issued to to finance costs of hazardous materials abatement and demolition of the old County of Los Angeles Courthouse located in the City of Long Beach (the "City"), the relocation of the 3rd Street and Pacific Avenue storm drain, and one-time and construction costs related to the City's Civic Center project (collectively, the "Projects"). See "THE PROJECTS" and "ESTIMATED SOURCES AND USES OF FUNDS."

#### Terms of the Bonds

The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable semiannually on each February 1 and August 1 (each, an "Interest Payment Date"), commencing August 1, 2016, at the respective rates of interest set forth on the inside cover page of this Official Statement. The Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof. The Bonds are subject to optional, mandatory sinking account and extraordinary redemption as described herein. See "THE BONDS."

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\* Preliminary, subject to change.

## **Book-Entry Only**

The Bonds will be issuable in fully registered form and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository of the Bonds and all payments due on the Bonds will be made to DTC or its nominee. Ownership interests in the Bonds may be purchased in book-entry form only. See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM.”

## **Source of Payment for the Bonds**

Pursuant to the Site and Facility Lease, dated as of January 1, 2016 (the “Site and Facility Lease”), by and between the City and the Authority, the City will lease to the Authority certain real property and certain improvements located thereon (the “Property”) owned by the City. See “THE PROPERTY.” Concurrently, the City will sublease the Property from the Authority pursuant to a Lease Agreement, dated as of January 1, 2016 (the “Lease Agreement”), by and between the Authority and the City. Under the Lease Agreement, subject to abatement as provided therein, the City is required to make lease payments (the “Lease Payments”) from legally available funds for use and occupancy of the Property in amounts calculated to be sufficient to pay principal of and interest on the Bonds when due. The City has covenanted in the Lease Agreement to take such action as may be necessary to include the Lease Payments in each of its annual budgets during the Term of the Lease Agreement and has further covenanted to make the necessary annual appropriations for all such Lease Payments. All of the Authority’s right, title and interest in and to the Lease Agreement (apart from certain rights to receive Additional Payments to the extent payable to the Authority and to indemnification), including the right to receive Lease Payments under the Lease Agreement, are assigned to the Trustee under the Indenture for the benefit of the Bondowners.

Except to the extent of certain amounts available to the City for payments under the Lease Agreement, during any period in which, by reason of damage or destruction of the Property there is substantial interference with the use and occupancy by the City of any portion of the Property, Lease Payments will be abated in an amount agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Property not damaged or destroyed and available for use and possession by the City. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction or the date when the remaining portion of the Property is available for use and possession by the City.

If all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement will cease with respect to the Property as of the day possession shall be so taken; however, if less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (i) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking and (ii) there will be a partial abatement of Lease Payments in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments for the Property represent fair consideration for the use and occupancy of the remaining usable portion of the Property. See “SECURITY FOR THE BONDS—Abatement.”

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge of the Revenues and other amounts (including proceeds of the sale of the Bonds) held by the Trustee in certain funds and accounts established under the Indenture and pledged therefor, and the Revenues may not be used for any other purpose while any of the Bonds remain

Outstanding; provided, however, that the Revenues may be applied for such other purposes as are permitted under the Indenture. "Revenues" means (i) all Lease Payments and certain amounts paid, or caused to be paid, by the City, and received by the Authority pursuant to the Lease Agreement (but not Additional Payments), and (ii) all interest or other income from the investment of amounts in certain funds and accounts established pursuant to the Indenture.

### **No Reserve Account**

A debt service reserve account will not be established for the Bonds.

### **No Additional Bonds; Additional Obligations Secured by the General Fund**

The Authority may not issue additional bonds or other indebtedness payable out of the Revenues in whole or in part. See "SECURITY FOR THE BONDS—Additional Bonds."

The Lease Agreement does not prohibit the City from incurring additional obligations secured by its general fund. In that regard, the City from time to time incurs various general fund obligations to finance public improvements (see "CITY FINANCIAL INFORMATION—Bonded Indebtedness"), which may also include lease obligations payable from its general fund. The City anticipates incurring significant obligations payable from its general fund in the near future, in connection with its proposed Civic Center project. See "THE PROJECTS."

### **The City**

The City is a municipal corporation and chartered city, organized and existing under its charter and the laws of the State. See "THE CITY," "CITY FINANCIAL INFORMATION" and APPENDIX A—"GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF LONG BEACH."

### **The Authority**

The Authority is a joint exercise of powers agency formed by agreement between the City and the Housing Authority of the City (the "Housing Authority") pursuant to Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code. See "THE AUTHORITY."

### **Limited Liability**

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED SOLELY BY A PLEDGE OF AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PURSUANT TO THE INDENTURE AND THE REVENUES DERIVED FROM LEASE PAYMENTS BY THE CITY PURSUANT TO THE LEASE AGREEMENT. THE CITY HAS COVENANTED IN THE LEASE AGREEMENT TO TAKE SUCH ACTIONS AS MAY BE NECESSARY TO INCLUDE ALL LEASE PAYMENTS DUE THEREUNDER IN ITS ANNUAL BUDGETS AND TO MAKE THE NECESSARY ANNUAL APPROPRIATIONS THEREFOR. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

## **Continuing Disclosure**

The City, as an obligated person with respect to the Bonds within the meaning of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "Rule"), has agreed to undertake the continuing disclosure responsibilities required by the Rule. The Authority has not undertaken a commitment to provide any continuing disclosure required by the Rule.

The City has covenanted in the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") to provide, or cause to be provided, to the Electronic Municipal Market Access ("EMMA") certain annual financial information and operating data of the type set forth herein including, but not limited to, its annual audited financial statements and, in a timely manner, notice of certain material events. See "CONTINUING DISCLOSURE" and APPENDIX E—"FORM OF 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 Continuing Disclosure Certificate pursuant to which such reports and notices are to be made.

## **Tax Matters**

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, assuming the Authority's and the City's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

## **Certain Risk Factors**

Certain events could affect the ability of the City to make the Lease Payments when due. See "CERTAIN RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

## **Other Information**

The descriptions herein of the Indenture, the Lease Agreement and any other agreements relating to the Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS." Copies of documents referred to in this Official Statement are on file and, upon request and payment to the City of a charge for copying, mailing and handling, copies are available from the City Treasurer, City of Long Beach, Department of Financial Management, 333 West Ocean Boulevard, 6th Floor, Long Beach, California 90802.

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 Official Statement nor any sale

made hereunder nor any future use of this Official Statement, under any circumstances, creates any implication that there has been no change in the affairs of the City or the Authority 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 or the Authority. 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.

**ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds realized upon the sale of the Bonds is as follows:

Estimated Sources:	
Principal Amount of Bonds	
Plus: Net Original Issue Premium	
Plus: City Contribution	
Total Sources	_____
	=====
Estimated Uses:	
Deposit to Project Fund (1)	
Costs of Issuance (2)	
Total Uses	_____
	=====

(1) To be used to pay costs of the Projects. See "THE PROJECTS."  
 (2) Includes, but is not limited to, the Underwriter's discount, the fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee, the Municipal Advisor and the rating agencies, costs of printing the Official Statement and other costs incurred by the Authority and the City in connection with the issuance and delivery of the Bonds.

**THE PROJECTS**

Proceeds of the Bonds will be used to finance costs of hazardous materials abatement and demolition of the old County of Los Angeles Courthouse located on property owned by the City, the relocation of the 3rd Street and Pacific Avenue storm drain, and one-time and construction costs related to the City's Civic Center project. The hazardous materials abatement and demolition involve the removal of the County of Los Angeles Courthouse, an approximately 330,000 square foot steel and concrete, six story (plus basement) structure and related work. The storm drain relocation is being done to assist with the development of 222 residential dwelling units and 8,500 square feet of commercial space at 245 West Broadway in the City. Both of these projects are elements of the Civic Center project.

The Civic Center project includes the foregoing demolition and storm drain relocation work in conjunction with the development and construction of a new City Hall, a new Port of Long Beach administrative facility, a new Main Library facility for the City, redevelopment of the City's Lincoln Park, and the residential and commercial development mentioned above. In total, the Civic Center project is expected to include the construction of six new buildings, three new parking garages, as well as related infrastructure, street and landscaping improvements. The project involves the demolition of the current City Hall and Main Library, as well as the demolition of the current Los Angeles County Courthouse mentioned above. The overall cost of the Civic Center project is expected to be approximately \$357,700,000, and is expected to be

funded from various sources, including a portion of the proceeds of the Bonds, a contribution by the Port of Long Beach and a public/private partnership financing that will involve an annual City General Fund payment of approximately \$\_\_\_\_\_.

The City has already commenced permitting and design work related to the hazardous materials abatement and Courthouse demolition, and proceeds of the Bonds and the City's cash contribution for the Projects are expected to first be used to pay costs related to such abatement and demolition. The use of Bond proceeds for other components of the Projects will be determined from time to time by the City Council.

The following page is an aerial picture showing the site of the Civic Center project, including the location of the current City Hall, Main Library and Los Angeles county courthouse facilities.

[insert aerial photo here]

## THE PROPERTY

The Property consists of a public parking facility (Plaza Parking 3 of 3) on Pine Avenue in the City, in the downtown commercial area of the City. The parking facility is a three story parking structure, including a ground floor parking office, two elevators and, as of the date of issuance of the Bonds, a total of 869 parking stalls, along with the property on which such facility is located, as provided in the Lease Agreement. The parking facility was built in 1981, and was renovated in 2001.

The Property, along with the two other nearby parking structures and a surface parking lot with a total of approximately 2,450 parking spaces (collectively, the "Parking Facilities") are encumbered by a Parking Rights Agreement, entered into on September 21, 2001, among the City, Coventry Long Beach Plaza LLC ("Coventry") and the City's former Redevelopment Agency (which has since been removed as a party to the agreement), as well as a Grant of Easements and Covenants Agreement, also entered into on September 21, 2001, by the City and Coventry. The two agreements were executed in connection with the development by Coventry of a residential and commercial project known originally as Long Beach City Place, and were intended to allow for the availability of parking for residents, tenants and visitors of the development. The agreements provide for operating and other covenants related to the Parking Facilities. The agreements allow for the possible operation by Coventry, as the City's agent, of the Parking Facilities in certain circumstances if the City fails to operate the Parking Facilities as specified in the agreements. The agreements do not prohibit the City from leasing the Property to the Authority pursuant to the Site and Facility Lease, and the Authority leasing the Property back to the City pursuant to the Lease Agreement, and would not prevent the exercise of the remedies set forth in the Lease Agreement upon the occurrence of an Event of Default under and as defined in the Lease Agreement, including a re-letting of the Property subject to the provisions of the agreements.

## THE BONDS

### General

The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on August 1 in each of the years and in the respective principal amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the respective rates set forth on the inside cover page hereof.

Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2016 (each, an "Interest Payment Date"), to the person whose name appears on the Registration Books as the Owner thereof as of the fifteenth calendar day of the month immediately preceding each such Interest Payment Date (each, a "Record Date"), such interest to be paid by check of the Trustee mailed by first-class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided, however, that payment of interest may be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who furnishes written wire instructions to the Trustee at least five days before the applicable Record Date. Principal of any Bond and any premium upon redemption will be paid by check of the Trustee upon presentation and surrender thereof at the corporate trust office of the Trustee, except as provided in APPENDIX F—"BOOK-ENTRY ONLY SYSTEM." Principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America.

Each Bond will be dated as of its date of delivery and will bear interest from the Interest Payment Date next preceding such date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) it is authenticated on or before July 15, 2016, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC," and together with any successor securities depository, the "Securities Depository"). DTC will act as Securities Depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form. Purchasers will not receive certificates representing their ownership interest in the Bonds. *So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners thereof means Cede & Co. as aforesaid, and not the Beneficial Owners of the Bonds.* So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

### **Transfer and Exchange of Bonds**

Any Bond may, in accordance with its terms, be transferred on the Registration Books maintained by the Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Transfer of any Bond will not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. Whenever any Bond or Bonds are required to be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Any Bond may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond will not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

### **Optional Redemption**

The Bonds maturing on or before August 1, \_\_\_\_, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, \_\_\_\_, are subject to optional redemption, in whole or in part, on any date on or after August 1, \_\_\_\_, from any available source of funds of the City, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption shall be in such order of maturity as the

City shall designate to the Trustee (and, if no specific order of redemption is designated by the City, pro rata among the maturities).

**Sinking Account Redemption**

The Bonds maturing on August 1, \_\_\_\_\_ (the "Term Bonds") are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on August 1, \_\_\_\_, and on each August 1 thereafter, to and including August 1, \_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the Term Bonds have been redeemed pursuant to the optional or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by reducing each such future Sinking Account payment as shall be determined by the City and, in lieu of such determination, on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the City with the Trustee.

<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>
---	-----------------------------------

\_\_\_\_\_  
† Maturity.

**Extraordinary Redemption from Insurance or Condemnation Proceeds**

The Bonds are also subject to redemption as a whole or in part on any date, to the extent the Trustee has received hazard insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Property damaged or destroyed and elected by the City to be used for such purpose, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium. If less than all the Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the City shall specify to the Trustee a principal amount in each maturity to be redeemed which, to the extent practicable, results in approximately equal annual debt service on the Bonds Outstanding following such redemption.

**Selection of Bonds for Redemption**

Whenever provision is made for the redemption of less than all of the Bonds of a particular maturity, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

**Notice of Redemption**

Notice of redemption will be mailed by first-class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds

designated for redemption at their addresses appearing on the Registration Books maintained by the Trustee, and to the Securities Depositories and the Information Services. Each notice of redemption will state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered for payment. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Notice of any optional redemption of Bonds may state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Bonds to be redeemed. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, such event shall not constitute an Event of Default, the Trustee shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of the Indenture. The Authority also has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

So long as the book-entry system is used for the Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered Owners of Bonds only to DTC. Any failure of DTC to advise any Participant, or of any Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on such notice. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

### **Partial Redemption of Bonds**

Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered and of the same interest rate and maturity.

### **Effect of Redemption**

If notice of redemption has been given, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption are being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

## SECURITY FOR THE BONDS

### General

The Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor under the Indenture, together with amounts on deposit from time to time in certain funds and accounts held by the Trustee under the Indenture. The primary source of the Revenues is the Lease Payments to be made by the City pursuant to the Lease Agreement.

Under the Indenture, the Authority assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Lease Agreement (except for the right to receive any Additional Payments to the extent payable to the Authority and certain rights to indemnification set forth therein). The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority are required to be held, and to have been collected or received, by the Authority as the agent of the Trustee and must be paid by the Authority to the Trustee.

### Limited Obligation

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED SOLELY BY A PLEDGE OF AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS PURSUANT TO THE INDENTURE AND THE REVENUES DERIVED FROM LEASE PAYMENTS BY THE CITY PURSUANT TO THE LEASE AGREEMENT. THE CITY HAS COVENANTED IN THE LEASE AGREEMENT TO TAKE SUCH ACTIONS AS MAY BE NECESSARY TO INCLUDE ALL LEASE PAYMENTS DUE THEREUNDER IN ITS ANNUAL BUDGETS AND TO MAKE THE NECESSARY ANNUAL APPROPRIATIONS THEREFOR. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### Lease Payments and Additional Payments

The Lease Agreement requires the City, subject to abatement as provided therein, to deposit with the Trustee, as assignee of the Authority, on the fifteenth day of the month preceding each February 1 and August 1, commencing with the fifteenth day of the month preceding August 1, 2016 (the "Lease Payment Dates"), an amount equal to the aggregate Lease Payment coming due and payable on each such Lease Payment Date. The Lease Payments payable in any fiscal year of the City constitute payment for the use and possession of the Property during such fiscal year. The City will receive a credit towards payment of Lease Payments for amounts on deposit in the Revenue Fund (including the Interest Account and the Principal Account therein) on each Lease Payment Date.

The obligation of the City to make Lease Payments under the Lease Agreement does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the full faith

and credit nor the taxing power of the City, the State or any of its political subdivisions is pledged to make Lease Payments under the Lease Agreement. The Authority has no taxing power. The Lease Payments are calculated to be sufficient to pay, when due, the principal of and interest on the Bonds.

In addition to the Lease Payments, the City is required to pay when due the following Additional Payments: (a) any fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable; (b) any amount due to the Trustee pursuant to the terms of the Indenture; (c) any reasonable fees and expenses of such accountants, consultants, attorneys, and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Indenture; (d) any reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease Agreement or the Indenture or in connection with the issuance of the Bonds; and (e) any amounts due and payable by the City as arbitrage rebate under section 148 of the Code with respect to the Bonds.

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include all Lease Payments due thereunder in its annual budgets and to make annual appropriations therefor. As provided in the Lease Agreement, the covenants of the City thereunder are duties imposed by law, and it is the duty of each and every public official of the City to take such action and to do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

California law requires, and the Lease Agreement provides, that Lease Payments are required to be abated in whole or in part during any period in which there is substantial interference with the use and occupancy of the Property by the City due to damage, destruction or taking in eminent domain proceedings. Under these circumstances, failure to make any Lease Payment will not be an event of default under the Lease Agreement. See "SECURITY FOR THE BONDS—Abatement" below.

Lease Payments made by the City to the Authority are payable from any moneys lawfully available to the City therefor. The Lease Agreement and the Indenture require that Lease Payments be deposited in the Revenue Fund maintained by the Trustee, which fund is held for the benefit of the owners of the Bonds.

### **Insurance and Condemnation Awards**

In the event of any damage to or destruction of any part of the Property covered by insurance, the Authority, except as hereinafter provided, is required to cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Property, and the Trustee is required to hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds are required to be applied to the repair, reconstruction or replacement of the Property to at least the same good order, repair and condition as was the case prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee is required to invest said proceeds in Permitted Investments pursuant to the Written Request of the City, as agent for the Authority under the Lease Agreement, and withdrawals of said proceeds are required to be made from time to time upon the filing of a Written Request of the City with the Trustee, stating that the City has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Property, and specifying the items for which such moneys were expended, or

such liabilities were incurred, in reasonable detail. The City is required to file a written certificate with the Trustee to the effect that sufficient funds from insurance proceeds or from any funds legally available to the City, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Property. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance are required to be treated by the Trustee as Lease Payments. Alternatively, the City, at its option, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Property, or that portion, in the case of partial damage or destruction of the Property, of the Lease Payments relating to the damaged or destroyed portion of the Property, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Property and thereupon is required to cause said proceeds to be used for the redemption of Outstanding Bonds. See "THE BONDS—Extraordinary Redemption from Insurance or Condemnation Proceeds."

No assurance can be given that the proceeds of any insurance or condemnation award will be sufficient under all circumstances to repair or replace any damaged or taken Property or to prepay all Lease Payments with respect to the Property. Also, the City makes no representation as to the sufficiency of any insurance awards or the adequacy of any self-insurance to pay, when and as due, amounts payable under the Lease Agreement.

### **Abatement**

The Lease Agreement provides for the abatement of Lease Payments during any period in which by reason of damage to or destruction of the Property (other than by eminent domain which may also cause abatement of Lease Payments as described below), which causes substantial interference with the use and occupancy by the City of the Property or any portion thereof. The amount of such abatement will be an amount agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Property not damaged or destroyed and available for use and possession by the City. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. There will be no abatement of the Lease Payments to the extent that moneys derived from insurance proceeds or proceeds from an eminent domain proceedings are available to pay the amount which would otherwise be abated or if there is any money available in the Bond Fund to pay the amount which would otherwise be abated. See "SECURITY FOR THE BONDS—Insurance" and "—Rental Interruption Insurance."

If all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Lease Agreement will terminate with respect to the Property as of the day possession is so taken. If less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect, and (b) there will be a partial abatement of Lease Payments in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments for the Property represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

## Insurance

*Public Liability and Property Damage Insurance.* The City is required under the Lease Agreement to procure and maintain or cause to be procured and maintained, throughout the term of the Lease Agreement, a standard comprehensive general insurance policy or policies in protection of the Authority, the City, and their respective Board members, Council members, officers, agents, employees and assigns. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$250,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such liability insurance may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease Agreement, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The net proceeds of such insurance will be applied toward extinguishment or satisfaction of the liability with respect to which they are paid.

*Fire and Extended Coverage Insurance.* The City is required under the Lease Agreement to procure and maintain or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against loss or damage to the improvements constituting a part of the Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance, when required, shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount at least equal to the lesser of (a) one hundred percent (100%) of the replacement cost of all of the insured improvements, or (b) the aggregate principal amount of the outstanding Bonds. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided however, that such insurance may not be maintained by the City in the form of self-insurance. The net proceeds of such insurance will be applied as provided under the caption "SECURITY FOR THE BONDS—Insurance and Condemnation Awards" above.

*Rental Interruption Insurance.* The Lease Agreement requires the City to procure and maintain or cause to be procured and maintained rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property as a result of certain hazards, in an amount at least equal to the maximum Lease Payments coming due and payable during any future 24-month period. Such insurance may be maintained as part of or in conjunction with any other property insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance except for a time element deductible not to exceed sixty days in duration. The proceeds of such insurance, if any, will be paid to the Trustee and deposited in the Revenue Fund, and will be credited towards the payment of the Lease Payments as the same become due and payable.

*Title Insurance.* The City is required to obtain upon the execution and delivery of the Lease Agreement, a CLTA policy of title insurance on the Property, in an amount not less than

the aggregate initial principal amount of Bonds issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances. Proceeds of such insurance are required to be delivered to the Trustee as a prepayment of rent under the Lease Agreement and are required to be applied by the Trustee to the redemption of Bonds.

**Debt Service Schedule**

The following table sets forth the annual debt service due on the Bonds, assuming no redemption of the Bonds prior to maturity other than scheduled sinking account redemptions.

Year Ending August 1	Principal	Interest	Total
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
Totals	_____	_____	_____

Pursuant to the Lease Agreement, the City is required, subject to abatement (see “SECURITY FOR THE BONDS—Abatement”), to make Lease Payments which have been calculated to be sufficient to make the scheduled interest and principal payments due on the Bonds.

**Additional Bonds**

Pursuant to the Indenture, the Authority may not issue additional bonds, notes or other indebtedness which would be payable out of the Revenues in whole or in part.

**THE AUTHORITY**

The Authority is a joint exercise of powers agency duly organized pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6500) of the California Government Code (the “Act”), and a joint exercise of powers agreement, dated as of December 8, 2015 (the “Agreement”), by and between the City and the Housing Authority, and is authorized pursuant to Article 4 of the Act to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities, including its members, and to provide financing for public capital improvements of public entities, including its members. The Authority is governed by a board of directors comprised of three members, which are the City Manager, the City Treasurer and the Director of Financial Management of the City.

Except as provided by the Indenture, the Authority has no liability to the Owners or Beneficial Owners of the Bonds and has pledged none of its moneys, funds or assets toward the payment of any amount due in connection with the Bonds. The Authority has determined that

no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

## THE CITY OF LONG BEACH

### 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"). The City is the second largest city in the County and the seventh largest city in the State. 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, strengthens the local economy. Further, the City has been successful in building a substantial tourist and convention business.

For general, economic and demographic information about the City see APPENDIX A—"GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF LONG BEACH."

## 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 Internal Service Funds.

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

### Budgetary Process

The City's Charter governs the budget development process and deadlines. Per the Charter, the City Council adopts an annual budget for all funds prior to the start of the new fiscal year, which begins on October 1. Based upon the City Council's priorities and community feedback received during the budget development process, the City Manager submits a proposed budget to the Mayor on or before August 1. In a recent election, the Mayor was granted line-item veto. The Mayor then presents the City Manager's proposed budget with any additional recommendations to the City Council on or before August 15, after which public

budget workshops and hearings are conducted with the City Council during which further amendments can be made. If the City Council does not successfully adopt a budget before October 1, the City manager's budget as proposed becomes the budget for the new fiscal year.

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. In the past, the City Council has amended the budget, if necessary, on a quarterly basis. 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, however unspent appropriations in all-year funds and subfunds roll over into subsequent fiscal years until they are exhausted.

In addition, the City's budgetary process may be affected by the fiscal condition of the State. See "CITY FINANCIAL INFORMATION—Current Financial Conditions of the State and the City" below.

### **Current Financial Condition of the City**

The Fiscal Year 2016 City budget (the "2016 Budget") is a balanced budget, and reflects several years of review, examination and reassessment of the City's priorities and financial constraints and identifies structural deficits through Fiscal Year 2016. In addition, the City has taken proactive measures to establish a long-term strategic approach. The approach ensures that the City's Police and Fire departments receive approximately 69% of the General Fund resources each year while keeping funds to pay for services such as parks, libraries, sidewalks, code enforcement, animal control, and internal support services. The 2016 Budget avoids any significant cuts and avoids increases, except as necessary to address previous initiatives or committed costs.

The 2016 Budget continues to adjust to the current lower price of oil, which is expected to result in an approximately \$18 million decline in oil-related general fund revenues. Although the 2016 Budget includes a modest, temporary surplus, Fiscal Year 2016 is expected to be the last transition year to a more difficult time period beginning in Fiscal Year 2017 with projected deficits (absent corrective action) of \$7.5-7.8 million annually in Fiscal Year 2016 and 2017. The projected deficits assume continuing modest growth in revenues. However, expenses are expected to increase at a higher rate, primarily due to increased CalPERS payments and health benefit costs. This continues a trend over the last several years. Since 2009 the City has reduced the suggested workforce by almost 700 positions with approximately \$134 million in structural expense cuts over that period in an effort to address the rising expenses.

### **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 Official Statement.

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. Table 13 provides a statement of revenues, expenditures and changes in fund balances for the Fiscal Years 2010 through 2014. Table 14 presents the City's final General Fund budget for Fiscal Year 2014, the City's audited actuals for the General Fund for Fiscal Year 2014, the City's adopted General Fund budget for Fiscal Year 2015, and the City's adopted General Fund budget for Fiscal Year 2016. These tables are excerpts from the City's financial statements and may not include all relevant information. A complete compilation of the City's financial statements attached hereto as APPENDIX B—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014" including the footnotes thereto, is necessary in order to make an informed investment decision.

**TABLE 1**  
**CITY OF LONG BEACH**  
**General Fund Revenues and Expenditures**  
**(in Thousands)**

	2010 <sup>1</sup>	2011	2012	2013	2014
<b>Revenues</b>					
Property Taxes	\$ 106,930	\$116,692	\$115,513	\$169,590 <sup>2</sup>	\$141,898
Other Taxes <sup>3</sup>	116,014	121,934	123,141	130,129	125,724
Franchise Fees	24,040	24,184	23,143	25,243	26,175
Licenses and Permits	15,563	16,303	16,050	13,889	14,899
Fines and Forfeitures	17,042	16,193	17,762	16,394	16,166
Use of Money and Property	42,428	50,486	53,282	54,239	52,219
From Other Agencies	5,956	5,035	4,065	1,767	7,123
Charge for Services	24,870	26,897	27,006	26,295	26,415
Other	7,744	6,100	8,576	8,337	6,845
<b>Total Revenue</b>	<b>\$360,587</b>	<b>\$383,824</b>	<b>\$388,538</b>	<b>\$445,883<sup>3</sup></b>	<b>\$417,464</b>
<b>Expenditures</b>					
<b>Current:</b>					
Legislative and Legal	\$ 10,806	\$ 9,683	\$10,316	\$ 9,673	\$ 11,380
General Government	14,772	18,556	16,046	17,050	12,996
Public Safety	272,905	274,768	269,085	267,430	280,894
Public Health	5,132	5,438	5,248	5,383	5,371
Community and Cultural	41,844	40,265	40,958	40,750	42,827
Public Works	28,517	28,558	28,667	29,679	30,707
Oil Operations	6,718	7,173	9,146	4,722	4,309
<b>Total Current Expenditures</b>	<b>\$380,694</b>	<b>\$384,441</b>	<b>\$379,466</b>	<b>\$374,687</b>	<b>\$388,484</b>
Excess of Revenues Over (Under) Expenditures	(20,017)	(617)	9,072	71,196	28,980
<b>Other Financing Sources (Uses)</b>					
Debt Issuance	\$ 988	\$ --	\$ 302	\$ --	\$ 1,012
Operating Transfers In <sup>4</sup>	26,670	24,565	23,110	24,269	18,729
Operating Transfers Out <sup>5</sup>	(14,040)	(120,657)	(22,354)	(34,851)	(68,179)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 13,618</b>	<b>\$ (96,092)</b>	<b>\$ 1,058</b>	<b>\$ (10,582)</b>	<b>\$(48,438)</b>
<b>Net Change in Fund Balances <sup>6</sup></b>	<b>(6,489)</b>	<b>(96,709)</b>	<b>10,130</b>	<b>60,614</b>	<b>(19,458)</b>
Fund Balance–October 1	170,191	163,702	66,993	77,123	137,737
Fund Balance–September 30	\$163,702	\$ 66,993	\$77,123	\$137,737 <sup>2</sup>	\$ 118,279

<sup>1</sup> As part of the implementation of GASB 54 Fiscal Year 2010 was restated and reclassified.

<sup>2</sup> Fiscal Year 2013 Property Tax Revenue contained \$33.1 million in post Redevelopment Agency dissolution funds, \$10.8 million in Proposition 1A repayment from the State and \$6.4 million in litigation proceeds related to property tax administration fees. The majority of these funds are considered one-time in nature.

<sup>3</sup> Includes sales and use tax, utility users tax, other taxes and property tax in lieu of sales and use tax from Proposition 57.

<sup>4</sup> The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2014, the Solid Waste Management Fund transferred moneys to the General Fund (totaling \$2.9 million) for earnings due to the City under a Joint Powers Agreement between the City and Los Angeles County Sanitation District Number 2 and for reimbursement of certain fees over-paid by the City and the Gas Utility Fund transferred moneys to the General Fund (\$10.1 million) as permitted by the City Charter. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Proposition 26." Various other moneys owed to the General Fund from previous transfers out and revenues are also represented.

<sup>5</sup> The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2014, the General Fund transferred approximately \$49.6 million to the Non-Major Governmental Funds (\$6.8 million of such transfer was to the General Debt Service Fund and approximately \$38.8 million of such transfer was to the General Capital Projects Fund). Additionally, in Fiscal Year 2014, the General Fund transferred approximately \$18.5 million to the Internal Service Fund (\$11.0 million of such transfer was to the General Service Fund for the acquisition of the City's financial/human resources systems replacement, \$2.8 million of such transfer was to the Civic Center Fund and \$2.8 million of such transfer was to the Employee Benefit Fund).

<sup>6</sup> The City has used previous years' general fund balances (previous years' surplus) to cover budget shortfalls.

Source: City of Long Beach Summary Financial Information Continuing Disclosure for Fiscal Year ended September 30, 2014 for (Fiscal Years 2010 through 2013 data); City of Long Beach, California Comprehensive Annual Financial Report, Fiscal Year ended September 30, 2014 (Fiscal Year 2014 data).

**TABLE 2**  
**CITY OF LONG BEACH**  
**Final General Fund Budget for Fiscal Year 2014,**  
**Audited Actuals for Fiscal Year 2014,**  
**Adopted General Fund Budget for Fiscal Years 2015 and 2016**  
**(in Thousands)**

	Final Budget 2014	Audited Actuals 2014	Adopted Budget 2015 <sup>1</sup>	Adopted Budget 2016
<b>Revenues</b>				
Property Taxes	\$134,633	\$141,898	\$139,091	
Other Taxes <sup>1</sup>	127,549	125,724	117,879	
Franchise Fees	24,251	26,175	25,265	
Licenses and Permits	15,057	14,899	14,783	
Fines and Forfeitures	15,788	16,166	15,702	
Use of Money and Property	37,534	52,219	37,686	
From Other Agencies	2,220	7,123	2,744	
Charges for Services	24,839	26,415	25,359	
Other	2,671	6,845	4,334	
<b>Total Revenue</b>	<b>\$384,542</b>	<b>\$417,464</b>	<b>\$382,843</b>	
<b>Expenditures</b>				
<b>Current:</b>				
Legislative and Legal	\$ 12,018	\$ 11,380	\$ 10,216	
General Government	32,628	12,996	23,145	
Public Safety	276,445	280,894	279,553	
Public Health	5,385	5,371	5,419	
Community & Cultural	42,433	42,827	40,918	
Public Works	30,426	30,707	33,255	
Oil Operations	6,751	4,309	6,751	
<b>Total Expenditures</b>	<b>\$406,086</b>	<b>\$388,484</b>	<b>\$399,257</b>	
Excess of Revenues Over (Under) Expenditures	(21,544)	28,980	(16,414)	
<b>Other Financing Sources (Uses):</b>				
Discount on Debt Issuance	--	1,012	--	
Operating Transfers In <sup>2</sup>	17,851	18,729	17,339	
Operating Transfers Out <sup>3</sup>	(42,199)	(66,179)	(26,696)	
<b>Total Other Financing Sources (Uses)</b>	<b>(24,348)</b>	<b>(46,438)</b>	<b>(9,357)</b>	
<b>Net Change in Fund Balance<sup>4</sup></b>	<b>(45,892)</b>	<b>(17,458)</b>	<b>(25,771)</b>	
<b>Beginning Fund Balance—October 1</b>	<b>137,322</b>	<b>137,737</b>	<b>137,322</b>	
<b>Encumbrances—October 1</b>	<b>415</b>	<b>--</b>	<b>415</b>	

1 Includes sales and use tax, utility users tax, other taxes and property tax in lieu of sales and use tax from Proposition 57.

2 The City believes budgeted revenues are generally on track with actuals year to date.

3 The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2014, the Solid Waste Management Fund transferred moneys to the General Fund (totaling \$2.9 million) for earnings due to the City under a Joint Powers Agreement between the City and Los Angeles County Sanitation District Number 2 and for reimbursement of certain fees over-paid by the City and the Gas Utility Fund transferred moneys to the General Fund (\$10.1 million) as permitted by the City Charter. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26." Various other moneys owed to the General Fund from previous transfers out and revenues are also represented.

4 The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2014, the General Fund transferred approximately \$49.6 million to the Non-Major Governmental Funds (\$6.8 million of such transfer was to the General Debt Service Fund and approximately \$38.8 million of such transfer was to the General Capital Projects Fund). Additionally, in Fiscal Year 2014, the General Fund transferred approximately \$18.5 million to the Internal Service Fund (\$11.0 million of such transfer was to the General Service Fund for the acquisition of the City's financial/human resources systems replacement, \$2.8 million of such transfer was to the Civic Center Fund and \$2.8 million of such transfer was to the Employee Benefit Fund).

5 The City has used previous years' general fund balances (previous years' surplus) to cover budget shortfalls.

Source: City of Long Beach.

## Pension Plans and Post-Retirement Health Care Benefits

**CalPERS.** The City contributes to CalPERS, an agent multiple-employer public employee defined-benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-

of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by state statute and city ordinance. A copy of CalPERS' annual financial report may be obtained from its executive office at 400 P. Street, Sacramento, California 95814. Since CalPERS is on a fiscal year ending June 30, all actuarial calculations for the City's retirement plan are made on a fiscal year consistent with CalPERS, which differs from the City's September 30 fiscal year-end.

Under the terms of the contract between CalPERS and the City, all full-time employees, which include both safety (fire and police) and miscellaneous (general and management) employees, are eligible to participate in CalPERS and become vested in the system after five years of service. The City has a multiple-tier retirement plan with benefits varying by plan.

*"Classic" Safety:* Vested first and second tier safety employees who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 3.0 percent of the employee's highest paid year of employment for each year of credited service. Third-tier police and fire employees are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.0 percent of the employee's highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual 5.0 percent cost-of-living increase while those under the second tier are eligible to receive a maximum annual 2.0 percent cost-of-living increase.

*"New" Safety:* Effective January 1, 2013, safety employees who are either new to CalPERS or who have had a break in CalPERS service of at least 6 months, and who retire at age 57, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7 percent of their highest average annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service. For fiscal year 2014, salaries are capped at \$117.0 thousand. The salary cap is permitted to be adjusted based on changes in the CPI for all urban areas.

*"Classic" Miscellaneous:* Vested first and second tier non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7 percent of their highest paid year of employment for each year of credited service. The City created tier three for non-safety employees hired after October 1, 2006. Vested tier three non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of their highest paid year of employment for each year of credited service. Retirees under the first tier are eligible to receive a maximum annual 5.0 percent cost-of-living increase while those under the second and third tier are eligible to receive a maximum annual 2.0 percent cost-of-living increase.

*"New" Miscellaneous:* Effective January 1, 2013, miscellaneous non-safety employees who are either new to CalPERS or who have had a break in CalPERS service of at least 6 months, and who retire at age 62, are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.0 percent of their highest average annual pensionable compensation earned during a period of at least 36 consecutive months for each year of credited service. For fiscal year 2014, salaries are capped at \$117.0 thousand. The salary cap is permitted to be adjusted based on changes in the CPI for all urban areas. The following table shows the City's historical funding progression of CalPERS for 2009 through 2013, as of a June 30 actuarial valuation date. The 2009 values reflected in the table below do not reflect a significant portion of Fiscal Year 2008-2009 losses because of the smoothing methodology used by CalPERS.

*Funding Policy.* CalPERS is a contributory plan deriving funds from employee and employer contributions as well as earnings from investments. The actuarial funding method used for the retirement program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry aged) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial valued of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. If a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

For fiscal year 2015, CalPERS will no longer use an actuarial value of assets as part of the City's annual contribution rate calculation. The new amortization and smoothing policy will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The rate increases reported below for fiscal year 2015 reflect the effect of this revised approach.

For the fiscal year ended September 30, 2014, all Safety and Miscellaneous plan participants contribute 9.0 percent and 8.0 percent of their annual covered salary, respectively. In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll. The rates applicable to fiscal year 2014 were 15.324 percent for miscellaneous employees and 22.623 percent for safety employees. For fiscal year 2015, the contribution rates will be 16.288 percent for miscellaneous employees and 24.059 percent for safety employees. The contribution requirements of plan members and the City are established by and may be amended by CalPERS.

*CalPERS Rate Increases.* CalPERS recently began implementing large increases in annual pension costs to cities, due to changes in actuarial smoothing and mortality assumptions to help ensure the cities' pension plans are financially sound and that they become fully funded.

The City has created and funded a CalPERS Stabilization Fund to address the concern that actual amounts owed to CalPERS can and will vary from projections, potentially significantly, depending on a variety of factors, primarily investment returns.

*Annual Pension Cost.* For fiscal year 2014, the City's annual pension cost (APC) of \$62.8 million for CalPERS was equal to the City's annual required contribution (ARC) of \$91.4 million less employee contributions of \$28.6 million. The ARC was determined as a part of the June 30, 2011 actuarial valuations.

The City's APC, the percentage of APC contributed to the plans, and the net pension obligation for the miscellaneous and safety plans for the last five fiscal years are as follows (dollars in thousands):

**TABLE 3**  
**CITY OF LONG BEACH**  
**CalPERS Annual Pension Cost<sup>(1)</sup>**  
**(in Thousands)**

Fiscal Year	Miscellaneous Annual Pension Cost	Safety Annual Pension Cost	Annual Pension Cost	Percentage Contribution
2010	\$37,546	\$31,530	\$69,076	100%
2011	41,953	33,087	75,040	100
2012	47,436	29,441	76,877	100
2013	38,483	29,014	67,497	100
2014	33,856	28,952	62,808	100

Source: City of Long Beach, California Comprehensive Annual Financial Reports.  
(1) Does not include debt service on the City's pension obligation bonds.

*Funded Status and Funding Progress.* The following table shows the City's historical funding progression of CalPERS for 2009 through 2013, as of a June 30 actuarial valuation date.

**TABLE 4**  
**CITY OF LONG BEACH**  
**Funding Status of Retirement Plans**  
**(in Thousands)**

June 30 Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Miscellaneous Employees						
2009	\$1,630,805	\$1,846,094	\$212,289	88.3%	\$222,150	96.9%
2010	1,692,444	1,888,325	195,881	89.6	221,420	88.5
2011	1,765,236	1,971,682	206,446	89.5	222,312	92.9
2012	1,825,592	2,057,068	231,476	88.7	220,939	104.8
2013	1,652,793	2,143,507	490,714	77.1	219,853	223.2
Safety Employees						
2009	\$1,652,960	\$1,730,518	\$77,558	95.5%	\$137,923	56.2%
2010	1,713,418	1,786,693	73,275	95.9	133,770	54.8
2011	1,783,951	1,868,031	84,080	95.5	132,176	63.6
2012	1,834,547	1,936,904	102,357	94.7	124,868	82.0
2013	1,659,337	2,002,964	343,627	82.8	121,770	282.2

Source: City of Long Beach California Comprehensive Annual Financial Reports for Fiscal Years ended September 30, 2010 through September 30, 2014.

*Future Changes to Pension Reporting.* On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new standards are set forth in GASB Statements 67 and 68 and will replace GASB Statement 27 and most of GASB Statements 25 and 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate, including the City's pension plans. Major changes include: 1) the inclusion of unfunded pension liabilities on the

government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); 2) more components of full pension costs will be shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period.

In addition, GASB Statement 68 states that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. While the new accounting standards change financial statement reporting requirements, they do not impact funding policies of the pension systems. The reporting requirements for pension plans will take effect for the fiscal year beginning mid-2013 and the reporting requirements for government employers will take effect for the fiscal year beginning mid-2014. The impact of new GASB reporting requirements will be reflected in the City's Comprehensive Annual Financial Reports for year ended September 30, 2014.

See "Note 13 – Retirement Programs" in APPENDIX B—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014" for additional information about CalPERS.

***Public Agency Retirement System-Defined Benefit Plan.*** The Public Agency Plan (the "Plan") is a defined benefit, single employer retirement and death and disability benefits plan provided for special status contractors and seasonally and temporary employees of the City. The Plan, which took effect on January 1, 1995, is administered for the City through a third party administrator. The Plan provides for retirement as well as death and disability benefits to eligible individuals and their beneficiaries.

The Plan benefit is a lifetime monthly annuity equal to 1.50% times the final average of the participant's highest 36 consecutive months' salary times the years of service. The Plan requires participant contributions of 6.2% of earnings for special status contractors and 3.0% of earnings for seasonal and temporary employees. All employees enter the Plan upon hire, and all benefits are vested after five years of service for special status contractors or immediately for seasonal and temporary employees, and all employees are always vested in their employee contributions. It is assumed that upon termination, employees will choose to receive an actuarially equivalent lump sum (based on the actuarial assumptions described below).

The following information describes the calculation methodology:

(a) The Plan's annual pension cost ("APC") for Fiscal Year 2014 was based on data from Fiscal Year 2013 (prior year's data) and was \$334,000 (which was equal to the contribution made in Fiscal Year 2014); based on the same methodology, the APC for Fiscal Year 2015 is projected to be \$[\_\_\_\_\_].

(b) The actuarial liabilities and assets were valued as of September 30, 2013.

(c) The actuarial cost method used is the projected-unit-credit-method. Under this method the contribution rate is the sum of the normal cost rate plus the unfunded actuarial liability rate. The normal cost is defined as the actuarial present value of benefits allocated to the valuation year and the actuarial accrued liability is the present

value of benefits allocated to all periods prior to the valuation year. The normal cost rate is determined by dividing the normal cost by expected covered payroll.

In determining the Plan's actuarial accrued liability, the projected benefit of each participant must be allocated between the past year and future years. This allocation is made by multiplying the projected benefit by a fraction, the numerator of which is the participant's total credited years of service on the valuation date, and the denominator is the participant's total credited years of service at anticipated benefit commencement.

The unfunded actuarial liability is the difference between the actuarial accrued liability and Plan assets. This difference is amortized as a level dollar amount to determine the unfunded actuarial liability rate. The actuarial value of Plan assets is based on a five-year smoothing of gains and losses. The actuarially assumed interest rate for the September 30, 2013 valuation was 4.75%.

See "Note 13 – Retirement Programs" in APPENDIX B—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014" for additional information about the Plan.

***Post-Retirement Health Care Benefits.*** Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until termination or retirement. No sick leave benefits are vested; however, under the provisions of the City's Personnel Ordinance, upon retirement the City allows retirees, their spouses and eligible dependents to use the cash value of the retiring employee's accumulated unused sick leave to pay for health, dental and long-term care insurance premiums under the City's Retired Employees Health Insurance Program. Once the cash value of the retired employee's unused sick leave is exhausted, the retiree can terminate coverage or elect to continue paying premiums at the retiree's expense. The City has provided two one-time early retirement incentive programs. The first had a maximum value of \$25,000 for employees, based on age, who retired during calendar year 1996, and a second incentive offered a 16 hour increase in sick leave per year of service for management employees who retired by June 30, 2004.

At September 30, 2014, there were 588 participants in the City's Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$19.3 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for Fiscal Year 2014 were \$7.5 million, and are included in the expenses of the Employee Benefits Internal Service Fund.

***Termination Benefits.*** As of September 30, 2014, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$133.7 million, based on an actuarial study of current and future retiree accumulated sick leave performed in accordance with Governmental Accounting Standards Boards Statement No. 16, "Accounting for Compensated Absences". The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996 and in 2009 negotiated public safety health benefit supplements. The actuarial study assumes projected investment returns of 4.3% and wage increases of 3.3% per year for safety employees. The estimated current portion of such obligation of \$9.1 million has been fully funded and the long-term portion of the liability of \$124.7 million is being funded, over time, through burden rates charged to the City's various funds, applied as a percentage of current productive salaries.

*Other Postemployment Benefits.* As of September 30, 2014, the City has also recorded a liability in the Employee Benefits Internal Service Fund of \$59.2 million based on an actuarial study of the “implicit subsidy” as defined by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). While the City does not directly contribute any funding toward the cost of premiums for retirees, the ability to obtain coverage at an active employees rate constitutes an economic benefit to the retirees. The inclusion of the retirees in the City’s healthcare benefit plans increases the overall health plan rates. The economic benefit is defined as an “implicit subsidy” under GASB 45.

The ability to participate in the City’s plan by self-paying the premiums extends for the lifetime of the retiree. However, upon attaining the age of Medicare eligibility, the retiree may enter a plan coordinated by Medicare. Standard actuarial practice assumes that Medicare supplemental plans do not generally give rise to an implicit subsidy, and while the City has included Medicare eligible retirees in this valuation, their liability under GASB 45 and their implicit subsidy are both \$0. This plan does not issue a separate financial report.

*Funding Policy.* The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2014, the City has not prefunded the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City’s annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the ARC, an amount that is actuarially determined in accordance with the requirements of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

**TABLE 5**  
**CITY OF LONG BEACH**  
**Annual OPEB Cost and Net OPEB Obligation**  
**(in Thousands)**

Annual required contribution	\$19,540
Interest on net OPEB obligation	1,812
Adjustment to annual required contribution	(2,191)
Annual OPEB cost	<u>19,161</u>
Contributions made	(5,196)
Increase in net OPEB obligation	<u>13,965</u>
Net OPEB obligation – beginning of year	45,242
Net OPEB obligation – end of year	<u>59,207</u>

Source: City of Long Beach California Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2014.

The ARC was determined as part of the September 2014 actuarial valuation. For the years ended September 30, 2010 through September 30, 2014, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

**TABLE 6**  
**CITY OF LONG BEACH**  
**Historical Net OPEB Obligation**  
**(in Thousands)**

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$11,472	33.6%	\$18,022
2011	12,289	34.0	26,139
2012	13,486	30.5	35,514
2013	14,437	32.6	45,242
2014	19,161	27.1	59,207

Source: City of Long Beach California Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2014.

See "Note 14 - Post Retirement Health Care Benefits" in "APPENDIX B— COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014" for additional information about the post-retirement health care benefits provided to the employees of the City.

### **Pension Reform**

The City's employee groups have agreed to pension reform, saving \$250 million over a ten-year period, and we have reduced spending by \$134 million and almost 700 positions over the past ten years. From FY 2012-14 the City negotiated with employee groups for employees to pay the full portion of their required employee pension contributions. Prior to this action, the City paid a percentage of the employee contributions to CalPERS, known as Employer Paid Member Contributions (EPMC). CalPERS actuarial reports do not distinguish between required employee contributions and EPMC. Cities that continue to pay their employee contributions have a functionally higher contribution rate than the published employer contribution rate. Had the City and employee groups not reached an agreement for pension reform, the City's functional employer contribution would be 6-7 percent higher than it is today.

### **Employer/Employee Relations**

The City recognizes various employee organizations, the largest ones being the International Association of Machinists ("IAM"), Police Officers Association ("POA") and Fire Fighters Association ("FFA"), which collectively represent approximately 82% of all City employees in a variety of classifications. Most City employees are covered by negotiated agreements.

**The collective bargaining agreement with the IAM expired on September 30, 2015 and the City is currently negotiating a successor agreement with this group. Negotiations with the remaining seven employee organizations are scheduled to commence before year end. The members of the POA and FFA are covered by contracts in effect until September 30, 2016. The City has not experienced a major work stoppage by City employees in the past five years. The City seeks to contain increasing employee related costs and unfunded liabilities through the**

**collective bargaining process and by ensuring employee benefit programs adhere to best practices and sound cost containment measures.**

### **Insurance Coverage**

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. The City itself insured for worker's compensation for the first \$4 million per occurrence and has excess insurance coverage up to \$100 million. For general liability, the City is self-insured for the first \$3 million per occurrence and has excess coverage in the amount of \$50 million.

As of September 30, 2015 \$53.5 million in pool cash had been established to cover anticipated claims and judgments. This represents estimates of amounts to be paid for actual and incurred but not reported claims based upon past experience, modified for current trends and developments. The City does not have any outstanding annuities. The City has recorded a current liability of \$105.0 million and a long-term liability of \$25.7 million in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2015 is dependent on future developments. Based upon actuary evaluation, the City's management believes that the aggregate accrual adequately represents such losses.

### **Bonded Indebtedness**

As of September 30, 2015, the City had \$2,746,785,000 of total bonds outstanding, \$147,155,000 of which is payable from the City's General Fund. These amounts are comprised as follows: (a) \$2,364,990,000 of outstanding revenue bonds, none of which are payable from the City's General Fund; (b) \$204,180,000 of outstanding lease revenue bonds, of which \$111,240,000 are payable from the City's General Fund, (c) \$141,730,000 of outstanding tax allocation revenue bonds, all of which are former redevelopment bonds and are not payable from the City's General Fund; and, (d) \$35,915,000 million of outstanding pension obligation bonds, all of which are payable from the City's General Fund.

In addition to the outstanding bonds described above, the City has established commercial paper programs and/or short-term borrowing programs (not payable from the City General Fund) for: (a) the Harbor Department in the aggregate principal amount of \$200 million (\$[ ] million of which was outstanding as of June 30, 2015; (b) the Water Department's Sewer Fund in the aggregate principal amount of \$20 million (\$[ ] million of which was outstanding as of June 30, 2015); and (c) the Gas and Oil Department in the aggregate principal amount of \$35 million (\$[ ] million of which was outstanding as of June 30, 2015).

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 in the following tables below:

**TABLE 7  
CITY OF LONG BEACH  
General Fund  
Outstanding Debt  
(as of September 30, 2015)**

Lease Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2012A & B LBBFA Lease Refunding Bonds	2031	\$ 69,750,000	\$ 62,725,000
2010 Lease Agreement between Bank of America Public Capital Corporation and the City	2027	31,450,000	24,195,000
Series 2006B LBBFA Lease Revenue Bonds (Parks/Open Space Financing Project)	2031	24,320,000	24,320,000
Pension Obligation Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2002A & B Pension Obligation Refunding Taxable Bonds	2021	\$ 76,550,000	\$ 35,915,000

Source: City of Long Beach.

In connection with the Civic Center project, it is expected that the obligation of the City with respect to the 2010 Lease Agreement between the City and Bank of America Public Capital Corporation will be prepaid and defeased by the private partner of the expected public/private partnership financing for the Civic Center project. However, the City will incur a new annual General Fund obligation in the approximate amount of \$\_\_\_\_\_ in connection therewith. See "THE PROJECTS."

**TABLE 8**  
**CITY OF LONG BEACH**  
**City and Related Agencies (All Other Funds)**  
**Outstanding Debt**  
**(as of September 30, 2015)**

Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2015D Harbor Revenue Bonds	2042	\$ 66,865,000	\$ 66,865,000
Series 2015C Harbor Revenue Bonds	2032	66,085,000	66,085,000
Series 2015B Harbor Revenue Refunding Bonds	2025	20,130,000	20,130,000
Series 2015A Harbor Revenue Refunding Bonds	2023	44,845,000	44,845,000
Series 2014C Harbor Revenue Short-Term Notes*	2018	325,000,000	325,000,000
Series 2014B Harbor Revenue Refunding Bonds	2027	20,570,000	20,570,000
Series 2014A Harbor Revenue Refunding Bonds	2017	38,465,000	25,690,000
Series 2012 Long Beach Bond Finance Authority ("LBBFA") Refunding Revenue Bonds (Aquarium of the Pacific Project)	2030	102,580,000	89,570,000
Series 2012A Second Lien Water Revenue Bonds	2027	9,850,000	8,410,000
Series 2010A Water Revenue Refunding Bonds	2024	22,740,000	21,860,000
Series 2010A Senior Airport Revenue Bonds	2040	48,435,000	45,695,000
Series 2010B Senior Airport Revenue Bonds	2040	12,965,000	11,955,000
Series 2010B Harbor Revenue Refunding Bonds	2027	158,085,000	134,135,000
Series 2010A Harbor Revenue Bonds	2025	200,835,000	148,705,000
Series 2009A, B & C Airport Revenue Bonds and Airport Revenue Refunding Bonds	2039	61,440,000	55,080,000
Series 2007A LBBFA Natural Gas Purchase Revenue Bonds (Fixed Rate)	2032	635,665,000	537,930,000
Series 2007B LBBFA Natural Gas Purchase Revenue Bonds (LIBOR Index Rate)	2033	251,695,000	69,005,000
Series 1998A Harbor Revenue Refunding Bonds	2019	206,330,000	60,965,000
Series 1997A Water Revenue Refunding Bonds	2024	46,945,000	0
Lease Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2006B LBBFA Lease Revenue Bonds (Parks/Open Space Financing Project)	2031	\$ 24,320,000	\$24,320,000
Series 2006A LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor Refinancing Project)	2024	50,785,000	28,280,000
Series 2003A (Non-AMT) & B (AMT) Southeast Resource Recovery Facility Authority Lease Revenue Bonds	2018	120,235,000	40,340,000
Tax Allocation Revenue Bonds			
Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2010A & B Redevelopment Agency of the City of Long Beach, Taxable Recovery Zone Economic Development Bonds (North Long Beach)	2040	\$32,980,000	\$29,915,000
Series 2005C LBBFA Tax Allocation Revenue Bonds (Downtown and North Long Beach Redevelopment Project Areas)	2031	35,045,000	30,145,000
Series 2002A LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment; North Long Beach Redevelopment; Poly High Redevelopment and West Beach Redevelopment Project Areas)	2031	77,715,000	30,125,000
Series 2002B LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment and West Long Beach Industrial Redevelopment Project Areas)	2024	47,780,000	34,670,000
Series 1992 Tax Allocation Revenue Refunding Bonds (West Long Beach Industrial and Downtown Project)	2017	126,245,000	16,865,000

Source: City of Long Beach.

\* The Harbor Department expects to pay these notes with the proceeds of a Transportation Infrastructure Finance and Innovation Act loan.

Source: City of Long Beach

The following table sets forth a schedule of the City's direct and overlapping debt as of November 1, 2015.

**TABLE 9  
CITY OF LONG BEACH  
Direct and Overlapping Debt  
As of November 1, 2015**

2015-16 Assessed Valuation: \$50,926,611,241

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable<sup>(1)</sup></u>	<u>Debt 11/1/15</u>
Cerritos Community College District	0.340%	\$ 933,121
Compton Community College District	2.494	1,876,985
Long Beach Community College District	86.010	346,227,581
Los Angeles Community College District	0.055	2,019,050
ABC Unified School District	1.031	373,789
Compton Unified School District	0.024	11,661
Long Beach Unified School District	86.011	646,799,023
Los Angeles Unified School District	0.068	6,741,296
Paramount Unified School District	8.736	9,895,076
Los Angeles County Flood Control District	4.220	637,431
City of Long Beach Community Facilities Districts	100.000	55,945,000
City of Long Beach 1915 Act Bonds	100.000	875,000
Metropolitan Water District	2.148	2,371,822
Los Angeles County Regional and Open Space Assessment District	4.138	2,094,242
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$1,076,801,077</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	4.138%	\$ 78,862,157
Los Angeles County Superintendent of Schools Certificates of Participation	4.138	328,738
Compton Unified School District Certificates of Participation	0.024	5,004
Los Angeles Unified School District Certificates of Participation	0.068	195,996
Paramount Unified School District Certificates of Participation	8.736	2,524,704
City of Long Beach Lease Revenue Bonds	100.000	155,665,000 <sup>(2)</sup>
City of Long Beach Pension Obligation Bonds	100.000	35,915,000
County Sanitation District No. 1 Certificates of Participation	1.267	138,334
County Sanitation District No. 2 Certificates of Participation	0.194	32,705
County Sanitation District No. 3 Certificates of Participation	86.439	4,092,273
County Sanitation District No. 8 Certificates of Participation	2.576	171,402
County Sanitation District No. 19 Certificates of Participation	28.821	875,155
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$278,806,468</b>
Less: Los Angeles Unified School District (Qualified Zone Academic Bonds supported by period payments to investment accounts)		9,198
City of Long Beach supported Lease Revenue Bonds		40,340,000
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$238,457,270</b>
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		
	100.000%	\$271,870,000
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$1,627,477,545<sup>(3)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$1,587,128,347</b>

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt .....	2.11%
Gross Total Direct Debt (\$191,580,000) .....	0.38%
Net Total Direct Debt (\$151,240,000) .....	0.30%
Gross Combined Total Debt .....	3.20%
Net Combined Total Debt .....	3.12%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$13,321,488,612):

Total Overlapping Tax Increment Debt .....	2.04%
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Source: California Municipal Statistics, Inc.

(1) Based on 2014-15 ratios

(2) Excludes issue to be sold.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

**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.

**TABLE 10  
CITY OF LONG BEACH  
Assessed Valuations**

Fiscal Year*	Local Secured	Utility	Unsecured	Total
2011-12	\$40,500,578,593	\$343,583,399	\$2,495,387,506	\$43,339,549,498
2012-13	41,401,107,906	377,783,471	2,702,563,956	44,481,455,333
2013-14	44,277,088,233	488,083,343	2,649,623,885	47,414,795,461
2014-15	46,244,051,867	841,682,926	2,624,364,407	49,710,099,200
2015-16	47,185,730,667	820,860,659	2,920,019,915	50,926,611,241

\* Based on the County’s Fiscal Year ending June 30.  
Source: California Municipal Statistics, Inc.

See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS.”

**Largest Taxpayers**

The following table shows the 10 largest owners of taxable property in the City as determined by secured assessed valuation in fiscal year 2015-16, representing 3.12% of the City’s total secured assessed valuation.

**TABLE 11  
CITY OF LONG BEACH  
Top 10 Taxpayers  
Fiscal Year 2015-16**

	Property Owner	Primary Land Use <sup>(2)</sup>	2015-16 Assessed Valuation	% of Total <sup>(1)</sup>
1	The Boeing Company	Industrial	\$ 285,974,297	.61%
2	Tesoro I Logistics Operations LLC	Industrial – Petroleum	238,094,593	.50
3	Legacy Partners II LB World Trade LLC	Office Building	165,989,932	.35
4	2009 CUSA Community Owner LLC	Apartments	146,873,573	.31
5	John Hancock Life Insurance	Apartments	138,207,290	.29
6	AGNL Clinic LP	Apartments	137,939,241	.29
7	Terra Funding Shoreline Square	Apartments	101,367,517	.21
8	Noble Utah Long Beach LLC	Hotel	98,381,530	.21
9	Lyon West Gateway LLC	Commercial	82,641,967	.18
10.	City Place Long Beach LLC	Shopping Center	77,670,022	.16
	<b>Total Top 10</b>		<b>\$1,473,139,962</b>	<b>3.12%</b>

Source: California Municipal Statistics, Inc.

(1) 2015-16 Local secured and utility assessed valuation: \$47,185,730,667.

(2) Table does not include taxpayers whose primary land use is possessory interest.

**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.

Should real property the City decline in market value, Proposition 8 allows for reassessment procedures under which the assessor is obligated to review the property and enroll the lesser of the factored base year value or the market value. The factored base year value of real property is the market value as established in 1975 or as established when the property last

changed ownership or when the property was newly constructed. The assessed value of property that has been reassessed under Proposition 8 may rise more than the standard 2% maximum allowed for properties assessed under Proposition 13 up to its factored Proposition 13 base year value.

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.

**TABLE 12**  
**CITY OF LONG BEACH**  
**Property Tax Rates Per \$100 of Assessed Value<sup>1</sup>**

	2011-12	2012-13	2013-14	2014-15	2015-16
General	1.000000	1.000000	1.000000	1.000000	1.000000
Long Beach Unified School District	.092226	.093943	.079806	.087635	.083244
Long Beach Community College District	.026146	.050945	.022406	.045945	.038253
Metropolitan Water District	.003700	.003500	.003500	.003500	.003500
Total All Property	1.122072	1.148388	1.105712	1.137080	1.124977

<sup>1</sup> Based on the County’s Fiscal Year ending June 30.  
Source: California Municipal Statistics, Inc.

### **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. The City’s ability to raise current taxes or impose future taxes is limited by Proposition 218. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 218.”

The following table sets forth the total tax revenues received by the City for all Governmental Fund Types (General, Special Revenue, Debt Service Funds, Capital Projects Funds, and Successor Agency Funds), including property tax revenue for the former Long Beach Redevelopment Agency, by source:

**TABLE 13**  
**CITY OF LONG BEACH**  
**Total Tax Revenues by Source**  
**(in Thousands)**

	2010-11	2011-12	2012-13	2013-14	2014-15
Property Tax <sup>1</sup>	\$218,593	\$181,041	\$214,816	\$183,885	\$179,588
Utility Users Tax <sup>2</sup>	38,739	37,097	38,026	38,691	38,584
Sales & Use Tax	60,159	60,414	63,443	59,097	60,822
Transient Occupancy Tax	17,603	17,759	19,451	21,265	22,949
Business License Tax	11,956	11,537	11,981	11,862	12,934
Franchise Tax	24,184	23,143	25,243	26,175	26,166
Oil Production Tax	5,331	5,259	5,301	5,653	5,787
Other Tax <sup>3</sup>	8,364	8,805	9,713	2,723	2,798
Total <sup>4</sup>	<u>\$384,929</u>	<u>\$345,054</u>	<u>\$387,974</u>	<u>\$349,352</u>	<u>\$349,628</u>

Note: FY2014-15 numbers are preliminary.

1 Includes delinquent tax collections and supplemental or redemption revenue.

2 Includes parcel audit results of misallocated tax rate areas.

3 Includes real property transfer, special parking, miscellaneous taxes and transfers in lieu of taxes.

4 Tax revenues by source include all governmental fund types (general, special revenue, and capital projects funds), including property tax for the former Long Beach Redevelopment Agency in accordance with generally accepted accounting principles.

Source: City of Long Beach, California Comprehensive Annual Financial Report, Fiscal Year ended September 30, 2014.

### 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. Any change in the Investment Policy is reviewed 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 and consistent with the aforementioned goals, managing the public funds in order to maximize the return on investments. 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, *Liquidity*, to meet all operating requirements that might be reasonably anticipated.

THIRD, *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 three benchmark measures for the pool funds portfolio: the 91-day U.S. Treasury Bill rate for the short-term portfolio, the One-Year Constant Maturity Treasury Index for the intermediate-term portfolio and the Merrill Lynch one-to-five year Treasury/Agency 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.

The City does not have any outstanding obligations payable from its General Fund, where the interest rate on such obligation is set by means of a periodic auction (commonly known as "auction rate securities"). In addition, the City is not currently a party or counterparty to any contract, instrument or agreement commonly known as a "derivative," such as an interest rate swap, cap, collar, hedge, floor or "swaption" that has been entered into in connection with a General Fund obligation of the City.

According to the City Treasurer's Monthly Report for the quarter ending September 30, 2015, the City's invested funds and cash totaled approximately \$1.84 billion. The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. On September 30, 2015, 32.27% of the total City Portfolio was invested in Short Term investments (approximately 3 to 6 months to maturity), 28.79% in Intermediate Term investments (approximately 1 year to maturity) and 23.34% in Long Term investments (up to 5 years to maturity). The remaining 15.60% is cash held at various financial institutions.

Standard & Poor's Ratings Services has rated the City's investment portfolio "AAf" and a volatility rating of "S1." Any explanation of the significance of such a rating may be obtained from Standard & Poor's Ratings Services.

## STATE BUDGET INFORMATION

*Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2015-16 State Budget further described below may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the County, and the County takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

*Proposed Fiscal Year 2015-16 Budget.* The Governor's proposed State budget for Fiscal Year 2015-16 (the "Proposed 2015-16 Budget") was released on January 9, 2015. The Proposed 2015-16 Budget assumes total State general fund revenues and transfers of \$108 billion and authorizes total expenditures of \$111.7 billion for Fiscal Year 2014-15. The LAO's Overview of the Proposed 2015-16 Budget, released on January 13, 2015 (the "2015-16 LAO Overview"), noted that the State is projected to end Fiscal Year 2014-15 with a general fund surplus of \$2.1 billion, comprised of a balance of \$452 million in the State's traditional budget reserve and a balance of \$1.6 billion in

the Budget Stabilization Account. For Fiscal Year 2015-16, the Proposed 2015-16 Budget assumes total State general fund revenues of \$113.4 billion and authorizes expenditures of \$113.3 billion. In addition, the Proposed 2015-16 Budget revises the Fiscal Year 2013-14 minimum funding guarantee upward to \$58.7 billion (an increase of \$371 million from the estimate included in the 2014-15 State Budget) and for Fiscal Year 2014-15, revises the minimum funding guarantee to \$63.2 billion (approximately \$2.3 billion higher than that included in the 2014-15 State Budget). In addition, for Fiscal Year 2015-16, the Proposed 2015-16 Budget sets the minimum funding guarantee at \$65.7 billion, including \$47 billion from the State general fund, which reflects an increase of \$2.6 billion from the revised level for Fiscal Year 2014-15.

The 2015-16 LAO Overview also notes that, despite the increase in the minimum guarantee, the State general fund share is only \$371 million with a projected growth in available local property tax collections accounting for the balance, and that for purposes of Proposition 98, Fiscal Year 2015-16 is a "Test 2" year, with the minimum guarantee driven primarily by an increase in per-capita personal income.

*May Revision.* On May 18, 2015, the Governor released his May Revision to the Proposed 2015-16 Budget. Overall, the May Revision reflects a \$6.7 billion increase in general fund revenues compared to the January Budget.

The May Revision additionally addresses the current drought. The State has experienced four consecutive years of below average rain and snow, and is currently facing severe drought conditions in all 58 counties. The most recent surveys recorded the statewide average snowpack, which is the source for one-third of the State's water, at just 2 percent of the normal average. Since the Governor first declared a state of emergency in January 2014, the Administration has worked with the Legislature to appropriate approximately \$1.9 billion to assist drought-impacted communities and provide additional resources for critical water infrastructure projects. The State's emergency drought response accelerates several of the key actions in the California Water Action Plan. The May Revision includes an additional \$2.2 billion of one time resources to continue the State's response to drought impacts. The funds will protect and expand local water supplies, conserve water and respond to emergency conditions.

On June 19, 2015, the State Legislature passed the 2015-16 budget bill and certain related legislation not including the additional changes to the wind-down process for redevelopment agencies discussed above. The budget agreement relies on the administration's May 2015 estimates of (1) general fund revenues, (2) the Proposition 98 minimum guarantee for schools and community colleges, and (3) budget reserve and debt payment requirements under Proposition 2. School and community college funding is the centerpiece of the agreement, as administration estimates of the Proposition 98 minimum guarantee have increased substantially over June 2014 levels. The terms of the budget trailer bill have not yet been approved by the Governor or enacted into law.

The full summary of the Governor's Budget Proposal can be viewed at [www.ebudget.ca.gov](http://www.ebudget.ca.gov) or [www.dof.ca.gov](http://www.dof.ca.gov).

*Future State Budgets.* The City receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City and other cities in the State.

The City cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of current and 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. See also "RISK FACTORS—Dependence on State for Certain Revenues."

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS**

### **Article XIII A of the California Constitution**

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 county 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 one percent 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 value included in this Official Statement (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.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property.

Section 4 of Article XIII A also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

#### **Article XIII B of the California Constitution**

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, 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 fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) 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 outlay 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 (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. 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.

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 (1) the percentage change in California per capita personal income, or (2) 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.

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.

The City's appropriations limit for Fiscal Year 2016 has been established at \$[\_\_\_\_\_] billion. Using the Fiscal Year 2014 Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt and qualified capital outlays) have been calculated to be \$[\_\_\_\_\_] million, which is \$[\_\_\_\_\_] million lower than the Gann Limit. The impact of the appropriations limit on the City's financial needs in the future is unknown.

## **Proposition 62**

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (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 county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. The county-wide sales tax at issue received an affirmative vote of only 54.1% and was found to be invalid.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

## **Proposition 218**

Proposition 218. On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIII A of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to Section 4 of Article XIII A the California Constitution, and (iii) assessments, fees, and charges for property related services as provided in Article XIII D. Proposition 218 added voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairment of contracts.

Proposition 218 provides that, effective July 1, 1997, fees that are charged “as an incident of property ownership” may not “exceed the funds required to provide the property related services” and may only be charged for services that are “immediately available to the owner of the property.”

The City does not expect the application of Proposition 218 will have a material adverse impact on its ability to pay Lease Payments.

## **Proposition 1A of 2004**

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the vehicle license fee (the “VLF”). The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State “mandates” a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has “suspended” mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

The 2004 Budget Act, related legislation and the enactment of Proposition 1A of 2004 (described below) dramatically changed the State-local fiscal relationship. These constitutional and statutory changes implemented an agreement negotiated between the Governor and local government officials (the “State-local agreement”) in connection with the 2004 Budget Act.

One change related to the reduction of the VLF rate from 2% to 0.65% of the market value of the vehicle. In order to protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue to cities and counties from this rate change was backfilled by an increase in the amount of property tax revenues they receive. This worked to the benefit of local governments, because the backfill amount annually increases in proportion to the growth in secured roll property tax revenues, which has historically grown at a higher rate than VLF revenues. Proposition 1A of 2004 requires the State to provide local governments with equal replacement revenues.

On November 3, 2004 the voters of the State approved Proposition 1A (“Proposition 1A of 2004”). Proposition 1A of 2004 amended the State Constitution to, among other things, reduce the Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local governments’ property, sales, and VLF revenues as of November 3, 2004. In addition, the State cannot reduce the local sales tax rate or restrict the authority of the local governments to impose or change the distribution of the Statewide local sales tax. Proposition 1A of 2004 generally prohibits the State from mandating activities on cities, counties, or special districts without providing the funding needed to comply with the mandates, and if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties, or special districts to abide by the mandate is suspended. Proposition 1A of 2004 also expanded the definition of what constitutes a mandate to encompass State action that transfers to cities, counties, and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A of 2004 do not apply to schools or community colleges or to mandates relating to employee rights.

Pursuant to statutory changes made in conjunction with amendments to the fiscal year 2008-09 State Budget Act, the fiscal year 2012-10 State Budget Act and related budget legislation adopted by the State Legislature and signed by the Governor in February 2012 (collectively, the “February 2012 Budget Package”), the VLF rate increased from 0.65% to 1.15% effective May 19, 2012. Of this 0.50% increase, 0.35% will flow to the State General Fund, and 0.15% will support various law enforcement programs previously funded by the State General Fund. This increased VLF rate will be effective through fiscal year 2010-11.

## **Proposition 22**

Proposition 22 (“Proposition 22”), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State’s ability to take, reallocate, and borrow money raised by local governments for local

purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See “ – Proposition 1A” herein. In addition, Proposition 22 generally eliminates the State’s authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district’s share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The County does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2012-13.

### **Proposition 26**

Proposition 26 (“Proposition 26”), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of “taxes.” Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, 30 enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge

imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See “ – Proposition 218.”

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the County’s fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

### **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Propositions 1A, 22, and 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. The limitations imposed upon the City by these provisions hinder the City’s ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. From time to time, other initiative measures could be adopted, some of which may place further limitations on the ability of the State, the City or local districts to increase revenues or to spend money or which could have other financially adverse effects such as requiring the City to undertake new responsibilities. Such other initiatives could have a material adverse effect on the City’s financial condition.

## **RISK FACTORS**

*This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

### **Limited Obligation**

The Bonds are not City debt and are limited obligations of the Authority. Neither the full faith and credit of the Authority nor the City is pledged for the payment of the interest on or principal of the Bonds nor for the payment of Lease Payments. The Authority has no taxing power. The obligation of the City to pay Lease Payments when due is an obligation payable from

amounts in the general fund of the City, and is subject to abatement. The obligation of the City to make Lease Payments under the Lease Agreement does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Lease Payments under the Lease Agreement constitute a debt or indebtedness of the Authority, the City, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restrictions.

### **Lease Payments Are Not Debt**

The obligation of the City to make the Lease Payments under the Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Lease Payments constitute a debt of the City, the State of California or any political subdivision thereof (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease to pay the Lease Payments from any source of legally available funds and the City has covenanted in the Lease that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the City, in its discretion, may determine to pay prior to the Lease Payments.

The City has the capacity to enter into other obligations payable from the City's general fund, without the consent of or prior notice to the Owners of the Bonds. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII B of the California Constitution."

### **Additional Obligations of the City**

The City has a significant amount of obligations payable from its general fund, including but not limited to debt obligations, pension obligations, lease obligations and other obligations related to post employment retirement benefits as well as certain other liabilities. The Lease Agreement does not prohibit the City from incurring additional lease and other obligations payable from the City's General Fund. In that regard, the City from time to time incurs various general fund obligations to finance public improvements (see "CITY FINANCIAL INFORMATION—Bonded Indebtedness"), which may also include lease obligations payable from its general fund. The City anticipates incurring significant obligations payable from its general fund in the near future, in connection with its proposed Civic Center project mentioned under the heading "THE PROJECTS."

## **Valid and Binding Covenant to Budget and Appropriate**

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon issuance of the Bonds, Bond Counsel will render its opinion (substantially in the form of APPENDIX D—"PROPOSED FORM OF BOND COUNSEL OPINION") to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the City. As to the Authority's practical realization of remedies upon default by the City, see "RISK FACTORS—Limitations on Remedies."

## **Abatement**

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Property caused by material damage, title defect, destruction to or condemnation of the Property, Lease Payments will be subject to abatement. In the event that such component of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City's rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Property or prepayment of the Bonds, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

## **No Acceleration Upon Default**

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to sell a fee simple interest in the Property and use the proceeds of such sale to prepay the Bonds or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

## **Limitation on Remedies**

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. Although the Lease Agreement provides that if the City defaults the Trustee may reenter the Property and re-let the Property, portions of the Property may not be easily recoverable, and the Property is subject to certain agreements with respect to its operation. See "THE PROPERTY." Additionally, the Trustee may have limited ability to re-let the Property to provide a source of rental payments sufficient to pay the principal of and interest on the Bonds so as to preserve the tax-exempt nature of interest on the Bonds. The

Trustee is not obligated to re-let the Property in a manner so as to preserve the tax-exempt nature of interest on the Bonds.

Alternatively, the Trustee may terminate the Lease Agreement and proceed against the City to recover damages pursuant to the Lease Agreement. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The rights of the Owners of the Bonds are subject to certain limitations on legal remedies against cities, redevelopment agencies and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease Agreement and from taking any steps to collect amounts due from the City under the Lease Agreement.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the City under the Lease Agreement.

All legal opinions with respect to the enforcement of the Lease Agreement and the Indenture will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by the exercise of judicial discretion in accordance with general principles of equity.

### **Risk of Uninsured Loss**

The City covenants under the Lease to maintain certain insurance policies on the Property. See "SECURITY FOR THE BONDS—Insurance." These insurance policies do not cover all types of risk, and the City need not obtain insurance except as available on the open market from reputable insurers. For instance, the City does not covenant to maintain earthquake insurance. [The City currently carries earthquake insurance on the Property although the Lease Agreement does not require it to do so. The City plans to continue to purchase earthquake insurance on the Property so long as such insurance can be obtained on the open market at reasonable rates.] The Property could be damaged or destroyed due to earthquake or other casualty for which the Property is uninsured. Additionally, the Property could be the subject of

an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to redeem the Bonds.

Under the Lease the City may obtain casualty insurance which provides for a deductible up to \$250,000. Should the City be required to meet such deductible expenses, the availability of general fund revenues to make Lease Payments may be correspondingly affected.

### **Eminent Domain**

If the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

### **Hazardous Substances**

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The City is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

### **Bankruptcy**

The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors

for purposes of adjusting its debts. A City or Authority bankruptcy petition could have a material adverse effect on the payment of the Bonds. The following paragraphs present a discussion of certain potential consequences surrounding a potential City or Authority bankruptcy. It is not intended to be an exhaustive discussion of all potential adverse consequences or potential outcomes.

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. Among the adverse effects of such a bankruptcy might be: (i) 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; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Lease or assume the Lease despite any provision of the Lease which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder.

The Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

#### **No Liability of Authority to the Owners**

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Lease Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

## **Dependence on State for Certain Revenues**

A number of the City's revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. In the event of a material economic downturn in the State, there can be no assurance that any resulting revenue shortfalls to the State will not reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of the State's efforts to address any such related State financial difficulties.

## **Risk of Tax Audit**

The Internal Revenue Service (the "IRS") has an ongoing program of examining tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from gross income for federal income tax purposes. It is possible that the Bonds or other tax-exempt obligations of the City may be selected for examination under such program. There is no assurance that an IRS examination of the Bonds or other tax-exempt obligations of the City will not adversely affect the market value of the Bonds. See "TAX MATTERS."

The City has not been contacted by the IRS regarding the examination of any of its bond transactions.

## **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the City has covenanted in the Lease Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the City or the Authority in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption provisions of the Indenture.

## **Limited Secondary Market**

As stated herein, investment in the Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Bonds or, if a secondary market exists, that the Bonds can or could be sold for any particular price.

## **No Reserve Fund**

No debt service reserve fund has been established with respect to the Bonds.

## **City Pension Benefit Liability**

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable law, changes in the levels of benefits provided or in the contribution rates of the City, increases or

decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the City to PERS as a result of which the City would be obligated to make additional payments to PERS over the amortization schedule for full funding of the City's obligation to PERS. The City expects its pension benefit liability to increase in future years.

### **Changes in Law**

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the general fund revenues of the City and consequently, having an adverse effect on the security for the Bonds.

## **TAX MATTERS**

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority and the City have covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the Authority's and the City's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

Bond Counsel expects to deliver an opinion at the time of delivery of the Bonds in substantially the form set forth in APPENDIX D—"FORM OF BOND COUNSEL OPINION."

Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients

of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Authority and the City comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct

amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Authority as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

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

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

#### **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance, sale and delivery by the Authority of the Bonds are subject to the approval as to their validity of Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by Quint & Thimmig LLP, acting as Disclosure Counsel, and for the Authority and the City by the City Attorney. Compensation of Bond Counsel and Disclosure Counsel is contingent upon the issuance and delivery of the Bonds.

## FINANCIAL STATEMENTS

The City's financial statements for the fiscal year ended September 30, 2014, included in APPENDIX B—"COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014," have been audited by KPMG, LLC, as stated in their reports appearing in such appendix. KPMG, LLC 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 Official Statement, and no opinion is expressed by KPMG, LLC with respect to any event subsequent to its report.

## LITIGATION

To the best knowledge of the Authority and the City, except as otherwise disclosed in this Official Statement, there is no pending or threatened litigation concerning the validity of the Bonds or the pledge of the Revenues or challenging any action taken by the Authority or the City in connection with the authorization of the Indenture or the Lease Agreement, or any other document relating to the Bonds or the defeasance and prepayment of the Bonds to which the Authority or the City is or is to become a party or the performance by the Authority or the City of any of their obligations under any of the foregoing.

## RATINGS

Fitch Ratings ("Fitch") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned their municipal bond ratings of "\_\_\_\_\_" and "\_\_\_\_\_" respectively, to the Bonds. Such ratings reflect only the views of Fitch and S&P and an explanation of the significance of such ratings may be obtained from Fitch at Fitch Ratings, One State Street Plaza, New York, NY 10004, and from S&P at Standard & Poor's Ratings Services, 55 Water Street, New York, NY 10041. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Fitch or S&P if, in the judgment of Fitch or S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## UNDERWRITING

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") at a price of \$\_\_\_\_\_ (consisting of \$\_\_\_\_\_ aggregate principal amount of the Bonds, less \$\_\_\_\_\_ of Underwriter's discount).

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

## MUNICIPAL ADVISOR

The City has retained KNN Public Finance, Los Angeles, California, as municipal advisor (the "Municipal Advisor") in connection with the delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or

assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Compensation of the Municipal Advisor is contingent upon the issuance and delivery of the Bonds.

**CONTINUING DISCLOSURE**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the City has entered into the Continuing Disclosure Certificate pursuant to which it has agreed, for the benefit of owners of the Bonds, to provide certain financial information and operating data relating to the City and the balances of funds relating to the Bonds, by not later than 270 days after the end of each of its fiscal years commencing with the report for the 2014-15 fiscal year (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events. The Annual Information and notices of material events will be filed by the City, with the Municipal Securities Rulemaking Board (the "MSRB"), via its Electronic Municipal Market Access ("EMMA") system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has advised that during the past five years, the City and its related entities have never failed to comply in all material respects with previous continuing disclosure undertakings pursuant to the Rule.

**ADDITIONAL INFORMATION**

Summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions.

The preparation and distribution of this Official Statement have been authorized by the Authority and the City.

FINANCE AUTHORITY OF LONG BEACH

By \_\_\_\_\_  
Treasurer/Auditor

CITY OF LONG BEACH

By \_\_\_\_\_  
City Treasurer

## APPENDIX A

### GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF LONG BEACH

#### **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 (the "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 City 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.

As of November 1, 2015, the City employed approximately 5,235 Full-Time Equivalent ("FTE") staff within 23 departments. The police department consists of approximately 1,738 FTE uniformed officers and supporting personnel. The fire department operates 23 fire stations with approximately 485 FTE firefighters, officers and employees.

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 City 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 following table contains the population of the City, the County and the State of California for the last five years.

**TABLE A1**  
**CITY OF LONG BEACH, COUNTY OF LOS ANGELES**  
**AND STATE OF CALIFORNIA**  
**Population Data**

Year	City of Long Beach	County of Los Angeles	State of California
2011	463,382	9,847,712	37,427,946
2012	465,688	9,908,030	37,680,593
2013	468,538	9,980,432	38,030,609
2014	470,609	10,054,852	38,357,121
2015	472,849	10,136,509	38,822,536

Source: California Department of Finance E-4 Population Estimates for Cities, Counties and State, 2011-2015 with 2010 Benchmark

## Personal Income

The following table sets forth the yearly total effective buying income and the median household effective buying income for the City, the County and the State for the prior five years:

**TABLE A2**  
**CITY OF LONG BEACH, COUNTY OF LOS ANGELES**  
**AND STATE OF CALIFORNIA**  
**Effective Buying Income**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	City of Long Beach	\$ 8,561,158	\$ 38,404
	Los Angeles County	196,757,991	43,133
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Long Beach	\$ 8,682,273	\$ 38,561
	Los Angeles County	197,831,465	43,083
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Long Beach	\$ 9,403,150	\$ 41,923
	Los Angeles County	201,048,048	44,384
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	City of Long Beach	\$ 9,540,843	\$ 43,421
	Los Angeles County	205,133,995	45,013
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Long Beach	\$ 9,904,090	\$ 44,701
	Los Angeles County	214,247,274	46,449
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: Nielsen Claritas, Inc.

## Employment by Industry

The California Employment Development Department compiles data annually on the status of employment and unemployment in the County. 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 County for the last five years.

**TABLE A3**  
**COUNTY OF LOS ANGELES**  
**(LOS ANGELES LONG BEACH GLENDALE MD)**  
**Labor Force and Industry Employment**  
**Annual Averages by Industry**

	2011	2012	2013	2014 <sup>(1)</sup>	2015 <sup>(2)</sup>
Total, All Industries	3,917,200	4,015,900	4,135,200	4,243,900	4,329,100
Total Farm	5,600	5,400	5,500	4,800	5,000
Mining and Logging	4,100	4,300	4,600	4,800	4,500
Construction	105,100	109,200	116,200	122,800	129,600
Manufacturing	366,900	367,400	368,200	363,600	362,400
Wholesale Trade	205,800	211,900	218,700	224,500	231,600
Retail Trade	393,000	401,000	406,000	414,000	420,900
Transportation, Warehousing & Utilities	151,800	154,500	157,500	163,700	167,800
Information	192,000	191,500	196,400	197,100	194,600
Financial Activities	208,600	211,000	211,700	209,700	208,200
Professional & Business Services	544,000	571,600	594,700	611,800	625,600
Educational & Health Services	643,200	674,300	719,600	751,600	776,800
Leisure & Hospitality	394,700	415,400	439,300	470,600	490,000
Other Services	137,000	141,700	145,700	153,700	156,200
Government	565,500	556,800	551,200	551,200	555,900

Source: California Employment Development Department, based on October 2015 benchmark and City of Long Beach.

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

(1) 2014 data is restated.

(2) 2015 data is preliminary.

The following table summarizes the civilian labor force, employment and unemployment average statistics for the City, the State and the United States for the past five years.

**TABLE A4**  
**CITY OF LONG BEACH, STATE OF CALIFORNIA AND UNITED STATES**  
**Civilian Labor Force, Employment and Unemployment**  
**(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(1)</sup>
2011	Los Angeles County	4,929,500	4,326,100	603,400	12.2%
	California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Los Angeles County	4,914,500	4,378,800	535,800	10.9%
	California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Los Angeles County	4,982,300	4,495,700	486,600	9.8%
	California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4
2014 <sup>(2)</sup>	Los Angeles County	5,025,900	4,610,800	415,100	8.3%
	California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015 <sup>(3)</sup>	Los Angeles County	5,003,500	4,695,000	308,500	6.2%
	California	18,980,778	17,775,700	1,205,089	6.4
	United States	157,073,000	148,535,000	8,538,000	5.2

Sources: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Averages 2010-2014, Monthly Averages 2000-present, and US Bureau of Labor Statistics.

- (1) Data not seasonally adjusted.
- (2) Last available full year data.
- (3) Data through September 2015.

## Major Employers

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

**TABLE A5**  
**CITY OF LONG BEACH**  
**Major Employers**  
**As of September 30, 2014**

	Employer	Number of Employees	Percent of City Employment
1.	Long Beach Unified School District	12,143	5.01%
2.	Long Beach Memorial Medical Center	5,146	2.12
3.	City of Long Beach	5,074	2.09
4.	The Boeing Company	4,203	1.73
5.	CSU Long Beach	2,881	1.19
6.	Veteran Affairs Medical Center	2,480	1.02
7.	Long Beach City College	2,456	1.01
8.	CSULB Research Foundation	1,420	.59
9.	St. Mary Medical Center	1,420	.59
10.	Molina Healthcare Inc.	861	.35

Source: City of Long Beach 2014 CAFR.

Note: In April 2014, the Boeing Company announced that its production line for its C-17 Globemaster III will be shutting down in mid-2015. The Boeing Company also announced the move of certain customer support jobs from the State of Washington to the City. The City cannot predict what impact the closure of the Long Beach plant will have on the future revenues of the City. However, see “—Industry” below for a discussion on recent developments within the City which mitigate the effect of such closure.

## Industry

The City is a vital element of the County's industrial and manufacturing base, which represents the largest concentration of major industrial firms in the western United States. The aircraft/aerospace products group, and the multitude of supporting suppliers, is a significant economic driver in the City. The Boeing Company is currently the third largest employer in the City. See “—Major Employers” above. However, in April 2014, The Boeing Company announced that its production line for its C-17 Globemaster III will be shutting down when the last plane is assembled in June 2015. In June 2014, Mercedes-Benz USA began renovation of Boeing's former 717 aircraft manufacturing plant covering over one million square feet of The Boeing Company's former 717 assembly plant site. Mercedes-Benz USA established its Western Regional Office/Vehicle Preparation Facility at this newly renovated facility located at 3860 Lakewood Blvd and operations commenced in September 2015. This facility will serve 82 dealerships over 12 states. The City has invested considerable effort in arranging the transition of what was a single purpose industrial land to a multi-use and economically diverse industrial redevelopment at the former 717 assembly plant site and the adjacent Douglas Park Planned Development District (west of Lakewood Blvd.). Of the 3 million square feet of entitled development, the permitted uses include office, retail, light industrial, aviation related manufacturing, hotel and medical office space. To date, more than 1.5 million square feet have been constructed and leased or sold. Furthermore, the City's Planning Commission recently provided the approval for an additional 483,000 square feet of development south of the former 717 assembly plant site east of Lakewood Blvd. Many of the buildings constructed within Douglas Park serve as the corporate headquarters for light industrial, office, and research and development companies. Tenants and owners in the adjacent Douglas Park development include the KONG Company, FoodPharma, Lin Manufacturing, United Pacific Industries, Courtyard Marriott and two medical office buildings.

**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. More recent additions include CityPlace and The Pike in Downtown Long Beach, which opened in 2002 and 2003, respectively. The City includes numerous neighborhood shopping districts, including Belmont Shore on 2nd Street, Retro Row on 4th Street, Bixby Knolls on Atlantic Avenue, East Anaheim Street, Cambodia Town, On Broadway and the East Village Arts District. Downtown Long Beach offers 4.3 million square feet of office building space.

Northeast of the Port of Long Beach and adjacent to the Long Beach Airport at the intersection of Interstate 405 and North Lakewood Boulevard, is the 33-acre Kilroy Airport Center, Long Beach (the “Kilroy Airport Center”), a high technology office complex comprised of six buildings totaling approximately 936,400 square feet with a diverse mix of business tenants.

Taxable sales transactions in the City for the five most recent available calendar years are shown below.

**TABLE A6  
CITY OF LONG BEACH  
Taxable Sales  
(\$ 000's)**

	2011	2012	2013	2014	2015
Apparel Stores	\$ 145,296	\$ 148,342	\$ 150,378	\$ 155,328	\$ 165,237
General Merchandise Stores	292,149	300,651	297,644	286,409	286,648
Drug Stores	79,083	82,611	73,162	73,477	73,800
Food Stores	219,454	239,207	249,611	269,083	276,979
Packaged Liquor	39,293	42,014	43,262	45,885	46,045
Eating/Drinking Places	663,683	709,048	745,257	794,011	838,779
Home Furnishings and Appliance Stores	82,618	81,918	88,455	104,108	107,643
Building Materials and Farm Implements	1,426,138	1,414,937	905,308	743,613	200,899
Auto Dealers/ Auto Supplies	261,831	310,740	322,610	318,269	324,222
Service Stations	573,517	623,068	612,882	607,758	520,542
Other Retail Stores	332,081	345,843	367,221	364,627	358,268
Retail Stores Totals	\$4,115,143	\$4,298,379	\$3,855,791	\$3,762,568	\$3,199,059
All Other Outlets	955,109	1,037,461	1,145,887	1,200,121	1,870,720
Total All Outlets	\$5,070,252	\$5,335,840	\$5,001,677	\$4,962,689	\$5,069,779

Source: City of Long Beach – Department of Financial Management – Fiscal Year 2014 (Unaudited).

**Construction**

The following table reflects the five-year history of building permit valuation for the City:

**TABLE A7  
CITY OF LONG BEACH  
Building Permits and Valuation  
(in Thousands)**

	2011	2012	2013	2014	2015
<u>Permit Valuation:</u>					
New Single-family	\$ 13,800	\$ 6,084	\$ 22,471	\$ 5,885	\$ 4,515
New Multi-family	25,092	316	21,364	40,683	33,456
Res. Alterations/Additions	64,248	58,763	63,840	63,339	74,895
Total Residential	<u>103,141</u>	<u>65,165</u>	<u>107,676</u>	<u>109,908</u>	<u>112,867</u>
Total Nonresidential	88,211	209,027	270,409	145,340	187,818
Total All Building	<u>\$191,352</u>	<u>\$274,192</u>	<u>\$378,086</u>	<u>\$255,249</u>	<u>\$300,686</u>
<u>New Dwelling Units:</u>					
Single Family	66	23	148	25	19
Multiple Family	232	2	146	298	235
Total	<u>298</u>	<u>25</u>	<u>294</u>	<u>323</u>	<u>254</u>

Source: City of Long Beach – Development Services Department (formerly Planning & Building Department).  
 Note: Totals may not add due to independent rounding.

**Petroleum Production**

The Wilmington Oil Field, which is one of the largest oil fields in the United States, traverses the City. 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. There are no revenue transfers between Tidelands Operating funds and the City’s General Fund. Operation of the Wilmington Oil Field is managed by two contractors, Tidelands Oil Production Company and Occidental Petroleum Corporation. The City administers all City oil operations, contracts, leases and agreements and directs all subsidence control operations through the Long Beach Gas & Oil Department.

The City’s oil revenues are impacted by both price and production efforts. For Fiscal Year 2015 and beyond, the current price drop has led to a dramatic reduction in both Uplands revenue and in Tidelands revenue. Uplands revenue covers General Fund operations and one-time investments. Tidelands revenue covers both operations and capital investment in the Tidelands area. The oil production-based taxes for both the City’s General Fund and Police and Fire Public Safety Oil Production Act Fund (Prop H) are also impacted. Fiscal Year 2015 is performing better than what the City projected in March.

Fiscal Year 2016 is forecasted assuming production will be at the annual average price of \$55 level, and a projection that prices will rise slowly from there. This means that one-time capital investments using both Uplands Funds and Tidelands funds are severely limited. For Fiscal Year 2016 there are reductions to the Prop H and Tidelands operations budgets in order to adjust to the reduced oil revenue. These reductions were done in a manner to minimize service impacts for Fiscal Year 2016. Any future reductions necessary in Fiscal Year 2017 and beyond

will likely have service impacts unless oil prices/production rise significantly, which is not likely to occur.

### Visitor and Convention Business

The Long Beach Convention & Visitors Bureau (the “LBCVB”) is the official organization for convention and tourism marketing for the City. The mission of the LBCVB is to contribute to the economic development of the City by selling, marketing and promoting the City as a destination for conventions, meetings, tradeshow and tourism.

Tourism and the convention business remain a significant factor in the City’s economy and remain subject to the fluctuations in the local, State and national economies.

The LBCVB promotes several notable neighborhoods/districts, arts and cultural programs and attractions, including: the Aquarium of the Pacific, Queen Mary, Museum of Latin American Art, Long Beach Museum of Art, Pacific Island Ethnic Museum and two historic Ranchos. Several aquatic offerings are also promoted, including: boating facilities, marinas, sport fishing, shops and eight miles of public beaches that attract thousands of visitors to the City each year. Carnival Cruise Lines also operates a homeport in in the City, which is adjacent to the Queen Mary, for its cruises to Mexico.

Visitors travel to the City several times per year for an array of high-profile events and festivals including: Toyota Grand Prix of Long Beach, Long Beach Pride, Long Beach Marathon and Sea Festival.

### Long Beach Convention Center and Entertainment 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. Over the past several years, the Convention Center has received monies to renovate and reposition the facility into a new campus designed to model the TED conference. The new Pacific Ballroom at the Long Beach Arena provides 45,000 square feet of customized event space.

**TABLE A8**  
**CITY OF LONG BEACH**  
**Convention and Delegate Attendance**

Calendar Year	Number of Conventions	Number of Delegates
2011	216	403,224
2012	204	394,542
2013	221	464,140
2014	243	396,494
2015 <sup>(1)</sup>	262	445,884

Source: City of Long Beach.  
(1) 2015 data is preliminary.

### Shoreline Village

Shoreline Village has proven to be an integral part of Long Beach visitor offerings. With the addition of, among others, the Yard House and the Village Hat Shop, Shoreline Village is

working to provide quality retail, dining and recreation as entertainment experiences for visitors, particularly those who stay at the downtown hotels.

### **Downtown Long Beach**

The Pine Avenue corridor has enjoyed success since 1995 with an assortment of retailers and restaurants. CityPlace, an urban retail development in the heart of downtown, covers eight city blocks. CityPlace is approximately 450,000 square feet of retail space and 341 residential units. Tenants include Wal-Mart, Sav-On, Ross Dress For Less, Fresh & Easy, Chuck E. Cheese's, Big 5 Sporting Goods, and several other apparel stores and eateries. Pine Avenue's concentration of dining establishments confirms restaurants as the principal element of the area. Currently, the City estimates that downtown Long Beach has a 16.71% vacancy rate on office space, and a 6.6% vacancy rate on retail space throughout the 1st City Council District which includes downtown Long Beach.

### **Long Beach Towne Center**

In November 1998, the development of the Long Beach Towne Center was completed. It is an approximately 850,000 square foot community retail shopping center located on approximately 81 acres within the City at the southwest corner of Carson Street and the I 605 Freeway. The current operator of the Long Beach Towne Center is CREA/PPC Long Beach Towne Center PO, LLC, a Delaware limited liability company. As of September 2015, the Long Beach Towne Center had a total market vacancy rate of 6%.

### **Rainbow Harbor**

Rainbow Harbor is anchored by the \$450 million "The Pike at Rainbow Harbor", developed by Developers Diversified Realty ("DDR"). It is one of the largest shoreline developments in California history. The Pike at Rainbow Harbor includes approximately 500,000 square feet of waterfront retail and entertainment space. The Pike at Rainbow Harbor is a joint venture of public and private investment. The development converted 300 acres of prime oceanfront property at the edge of downtown Long Beach into a major resort. The Pike at Rainbow Harbor complex include a central retail development and boutique hotel, surrounded by restaurants, Shoreline Park, Rainbow Harbor, and an apartment housing project. In 2015, the retail component at The Pike at Rainbow Harbor underwent a reorientation as a premium outlet center. Renamed The Pike Outlets, the center includes high profile tenants including Nike, Restoration Hardware, H&M, Gap, Converse, and Forever 21. DDR reports that The Pike Outlets has a current occupancy rate of 83%, with the remaining vacancies being developed or actively marketed.

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 11,000 ocean animals. The Aquarium also contains a theater, education center, shark lagoons, an indoor/outdoor restaurant and a large gift shop.

### **The Queen Mary**

On November 17, 2015, the Long Beach City Council approved an amendment and assignment of the Queen Mary Lease to Urban Commons, LLC. The amended and restated lease is intended to provide long-term stewardship of the iconic City-owned Queen Mary, and to spur

development of the 43+ acres of adjacent shore side property. Preliminary plans are for a regional commercial/entertainment complex to be built at the site.

## **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" averages approximately 66,000 riders per average weekday.

The San Diego Freeway (I-405), the San Gabriel River Freeway (I-605) and the Long Beach Freeway (I-710) all traverse the City, as do State Highways 1, 19, 22, 91 and 213. 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 of the City (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 approximately 11.9 square miles, of which approximately 6.9 square miles are water and includes all harbor facilities of the City. The Port has approximately 31.5 miles of waterfront with 65 deep-water cargo berths. The Port's main channel is 76 feet deep. Container terminals occupy 1,253 acres, auto terminals occupy 144 acres, breakbulk and general cargo terminals occupy 77 acres, dry bulk terminals occupy 84 acres, and petroleum and liquid bulk terminals occupy 44 acres. The Port has six container terminals with 68 cranes, all of which are post-panamax cranes (owned by the 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 include enlarging and consolidating several of the container terminals due to the demand for larger facilities.

The Port was 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.

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.

The following table sets forth a breakdown of cargo handled by the Harbor Department at municipal berths during Fiscal Years 2013 and 2014 in tonnage and revenue.

**TABLE A9  
PORT OF LONG BEACH  
Cargo Summary**

	Fiscal Year 2013				Fiscal Year 2014			
	Metric Revenue Tons (000's)	Percent of Total Tons	Revenue (000's)	Percent of Revenue <sup>a</sup>	Metric Revenue Tons (000's)	Percent of Total Tons	Revenue (000's) <sup>(1)</sup>	Percent of Revenue <sup>a</sup>
Containerized	121,683	75%	\$268,295	80%	125,662	76%	\$279,633	81%
Petroleum/Liquid Bulk	30,595	19	16,909	5	29,692	18	15,543	4
Dry Bulk	8,384	5	26,369	8	7,771	5	25,665	7
General Cargo	1,595	1	24,297	7	2,400	1	25,416	2
Totals	162,257	100%	\$335,869	100%	165,526	100%	\$346,258	100%

(1) Revenue includes operating revenues from wharfage, dockage, storage/demurrage, bunkers, special facilities rentals, crane rentals and other.

Source: City of Long Beach – Harbor Department, Fiscal Year 2014

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. 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 (the “Airport”). The current daily flight limits are 41 commercial jet airline and 25 commuter landings and takeoffs (“slots”). Included in the 41 aircraft slots are (a) commercial airline service provided by JetBlue Airways, US Airways and Delta Air Lines, and (b) cargo flights operated by Federal Express and United Parcel Service. The Airport is home to over 400 commercial, corporate and general aviation services, flight schools, air cargo, manufacturing, two business parks and a golf course.

The Airport is an important aircraft manufacturing and completion center, currently hosting two industry giants, The Boeing Company and Gulfstream Aerospace Corporation. Although Boeing has announced the conclusion of its C-17 production line, the timing and impact of the regional economic effect has not yet been determined. The Airport currently receives annual rental payments of \$1.3 million from Boeing under an annually renewable lease, representing approximately 3.9% of the Airport’s Fiscal Year 2015 operating revenues. If Boeing elects to terminate its lease at the Airport, the Airport expects that it will be able to partially mitigate the loss in such lease revenue by executing new leases, offsetting revenue loss with additional concession and parking revenues, and adjusting airline rates and charges.

The following table sets forth enplanements, cargo handled and operations at the Airport during Fiscal Years 2011 through 2015.

**TABLE A10  
LONG BEACH AIRPORT  
Enplanements, Cargo Handled and Operations**

Fiscal Year	Passengers	Cargo (lbs.)	Aircraft Operations
2011	3,081,606	55,958,380	302,763
2012	3,277,728	54,798,402	287,699
2013	2,989,486	53,605,274	284,193
2014	2,860,103	55,016,824	325,527
2015	2,549,911	55,934,778	319,838

Source: City of Long Beach – Airport Department

## 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 Gas and Oil Department.

The current utility users tax rate is 5% for all utilities.

## Education

The City is served by the Long Beach Unified School District, which provides primary and secondary educational instruction for approximately 77,987 students through the operation of 60 elementary schools, 16 junior high schools, nine high schools, one K-12 school, two alternative schools, and one continuation school. There are additionally four charter schools. Post secondary education is available at Long Beach City College, a tax supported two-year institution administered by the Long Beach Community College District. In addition to the lower division college program, extensive adult education and trade school facilities are offered at Long Beach City College, with a current enrollment of approximately 19,910 per semester. California State University – Long Beach (the “University”) 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 as of October, 2015 had an enrollment of approximately 78,230 per semester. The University’s offers various

undergraduate and graduate degree programs. The following table sets for the enrollment for the Long Beach Unified School District, Long Beach City College and the University for the past five years.

**TABLE A11  
CITY OF LONG BEACH  
Educational Enrollment**

Year	Long Beach Unified School District	Long Beach City College	California State University (Long Beach)
2011	83,691	21,194	29,287
2012	82,256	19,694	30,931
2013	81,155	19,521	30,474
2014	79,709	19,910	31,523
2015	77,987 <sup>(1)</sup>	24,889	30,263

Source: Long Beach Unified School District (fiscal year 2015-2016 adopted budget), Long Beach City College (annual report dated June 30, 2014) and California State University (Fall Term Enrollment Summary, 2010-2014 Profiles).

Note: Data reflects full-time equivalent students (FTES). Prior years did not reflect FTES and are restated.

(1) Projected.

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. California State University Long Beach continues to be one of the most popular institutions in California. It has built a successful student recruitment program that continues to attract high-achieving students, while maintaining a historical commitment to access.

### **Community Facilities**

Long Beach has four major 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, various online news websites, 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 community centers, sports fields, a mountain camp, parks, tennis courts and golf courses. This department also administers the Long Beach Municipal Band, Leeway Sailing Center, El Dorado Nature Center, Rancho Los Cerritos and Rancho Los Alamitos, the Belmont Veterans Memorial Pier, Rainbow Harbor and Rainbow Lagoon. The City’s Parks, Recreation and Marine Department also maintains numerous parks devoted to open space and recreation, six miles of beaches and three marinas.

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

Adult recreation opportunities include sports leagues, tennis and golf facilities and instruction. Recreation programs and social services for seniors are offered at community

centers. Family recreation opportunities include Long Beach Municipal Band concerts, cultural arts programs, environmental programs, citywide and neighborhood special events, boating facilities, as well as general park and beach use.

The Long Beach Convention and Entertainment Center stages productions of the Long Beach Symphony Association and the Long Beach Grand Opera. The California State University, Long Beach is home to the Bob Cole Conservatory of Music and the Richard and Karen Carpenter Performing Arts Center. Four community live theatres also entertain in the City.

**APPENDIX B**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS**

[TO COME]

## APPENDIX D

### PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Finance Authority of Long Beach  
333 West Ocean Boulevard  
Long Beach, California 90802

**OPINION:**     \$\_\_\_\_\_ Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project)

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Members of the Authority:

We have acted as bond counsel to the Finance Authority of Long Beach (the "Authority") in connection with the delivery by the Authority of \$\_\_\_\_\_ aggregate principal amount of the bonds of the Authority designated the "Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project)" (the "Bonds"), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Law"), and pursuant to an indenture of trust, dated as of January 1, 2016 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee, and a resolution of the Authority adopted on December 15, 2015. The Bonds are secured by a pledge of Revenues (as defined in the Indenture), primarily consisting of certain lease payments made by the City of Long Beach, California (the "City") under a lease agreement, dated as of January 1, 2016 (the "Lease Agreement"), by and between the Authority and the City.

In connection with this opinion, we have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Indenture and Lease Agreement and in the certified proceedings for the Bonds, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a duly constituted joint exercise of powers agency under the laws of the State of California with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds constitute legal, valid and binding limited obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. The Lease Agreement has been duly approved by the City and the Authority and constitutes a legal, valid and binding obligation of the City and the Authority enforceable against the City and the Authority in accordance with its terms.

5. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

6. Subject to the Authority's and the City's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

7. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

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

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

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

Respectfully

submitted,

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF LONG BEACH, CALIFORNIA (the "City") in connection with the issuance by the Finance Authority of Long Beach (the "Authority") of its \$\_\_\_\_\_ Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2016 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Pursuant to Section 5.11 of that certain Lease Agreement, dated as of January 1, 2016, by and between the Authority and the City, the City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

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

"*Dissemination Agent*" shall mean 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. In the absence of such a designation, the City shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

#### Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which currently ends on September 30), commencing

with the report for the 2014-15 Fiscal Year, which is due not later than June 30, 2016, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

(d) *Report of Non-Compliance.* If the City is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the City shall send a notice to EMMA in a timely fashion substantially in the form attached hereto as Exhibit A. If the City is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice in a timely fashion to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. It is acknowledged that the Closing Date for the Bonds occurred after the end of the 2014-15 fiscal year of the City. In light of the foregoing, submission of the Official Statement shall satisfy the City's obligation to file an Annual Report for fiscal year 2015-15.

The Annual Report for each fiscal year commencing with the Annual Report for the 2015-16 fiscal year shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the City for the preceding fiscal year, prepared in accordance with generally accepted accounting principles. 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 financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the City for preceding fiscal year, substantially similar to that provided in Tables 1, 2, 3, 4, 5, 6, 7, 8, 10 and 13 in the official statement for the Bonds in the section therein entitled "CITY FINANCIAL INFORMATION."

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on EMMA. The City shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The City shall, or shall cause the Dissemination Agent (if not the City) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive

agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the City.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the City or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the City. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the City to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the City under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

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

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Bondowners; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the City shall describe such amendment or waiver in the next following 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, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) 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 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure 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 Disclosure 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 Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Indenture. The

obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: January \_\_\_\_\_, 2016

CITY OF LONG BEACH, CALIFORNIA

By: \_\_\_\_\_  
David S. Nakamoto,  
*City Treasurer*

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Long Beach, California

Name of Issue: \$\_\_\_\_\_ Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project)

Date of Issuance: January \_\_\_\_, 2016

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated January \_\_\_\_, 2016, furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

CITY OF LONG BEACH, CALIFORNIA,  
Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption premium, if any, and interest with respect to the Bonds to The Depository Trust Company (“DTC”), New York, NY, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the Authority of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The City, the Authority, the Trustee and the Underwriter understand that the current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated AA+ by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments of principal of, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the City or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, premium, if any, and interest on the Bonds by Cede & Co (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and neither the Authority nor the Trustee takes any responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS,

INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the Authority nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply.

The City, the Authority and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

**INDENTURE OF TRUST**

**by and between the**

**FINANCE AUTHORITY OF LONG BEACH**

**and**

**U.S. BANK NATIONAL ASSOCIATION, as Trustee**

**dated as of January 1, 2016**

**relating to:**

**\$ \_\_\_\_\_**

**Finance Authority of Long Beach  
Lease Revenue Bonds, Series 2016A  
(Courthouse Demolition Project)**

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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture"), dated as of January 1, 2016, is by and between the FINANCE AUTHORITY OF LONG BEACH, a joint exercise of powers agency organized and existing under and by virtue of the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America with a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created, as trustee (the "Trustee").

### RECITALS:

WHEREAS, the Authority is a joint exercise of powers agency duly organized pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6500) of the California Government Code (the "Act"), and a joint exercise of powers agreement, dated as of December 8, 2015 (the "Joint Powers Agreement"), by and between the City of Long Beach, California (the "City"), and the Housing Authority of the City of Long Beach (the "Housing Authority");

WHEREAS, the Authority is authorized by the Joint Powers Agreement to issue bonds, notes or other evidences of indebtedness for purposes permitted by the Act and described in the Joint Powers Agreement;

WHEREAS, pursuant to the provisions of the Act, the City and the Housing Authority are authorized to jointly exercise any power common to such contracting parties, including, without limitation, the power to acquire and dispose of property, both real and personal;

WHEREAS, the City wishes to finance costs of the hazardous materials abatement and demolition of the old County of Los Angeles Courthouse located in the City on property owned by the City, the relocation of the 3rd Street and Pacific Avenue storm drain, and one-time and construction costs related to the Civic Center project (collectively, the "Projects");

WHEREAS, the City has requested that the Authority issue and sell the Bonds (hereinafter defined) for the purpose of financing costs of the Projects;

WHEREAS, for such purposes, the Authority has determined to issue its Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project), in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds");

WHEREAS, the Bonds will be issued under the provisions of Article 4 (commencing with section 6584) of the Act (the "Bond Law") and this Indenture;

WHEREAS, in order to provide for the repayment of the Bonds, the Authority will lease certain real property and improvements (the "Property") to the City pursuant to a lease agreement, dated as of January 1, 2016 (the "Lease Agreement"), under which the City will

agree to make lease payments to the Authority from moneys in its General Fund and the City will budget and appropriate sufficient amounts in each year to pay the full amount of principal of and interest on the Bonds;

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized.

#### A G R E E M E N T :

NOW, THEREFORE, in order to secure the payment of the Bonds at any time issued and Outstanding under this Indenture according to their terms, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and delivered, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other consideration the receipt and sufficiency of which is hereby acknowledged, the Authority does covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Indenture, of any Supplemental Indenture, of the Lease Agreement, of the Bonds and of any certificate, opinion, request or other documents herein mentioned, have the meanings herein specified.

*“Act”* means the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6500) of the Government Code of the State.

*“Additional Payments”* means the payments so designated and required to be paid by the City pursuant to the Lease Agreement.

*“Authority”* means the Finance Authority of Long Beach, or its successors and assigns, a joint exercise of powers agency created pursuant to the Joint Powers Agreement.

*“Authorized Representative”* means: (a) with respect to the Authority, any member of the Board, the Executive Director of the Authority, the Treasurer/Auditor of the Authority, or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by a member of the Board, such Executive Director or such Treasurer/Auditor and filed with the City and the Trustee; and (b) with respect to the City, its City Manager, Director of Financial Management, City Treasurer or City Clerk, or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by an Authorized Representative of the City and filed with the Authority and the Trustee.

*“Board”* means the Board of Directors of the Authority.

*“Bond Counsel”* means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income of the owners thereof for federal income tax purposes under the Code.

*“Bond Law”* means Article 4 (commencing with section 6584) of the Act.

*“Bond Year”* means each twelve-month period extending from August 2 in one calendar year to August 1 of the succeeding calendar year, both dates inclusive; *provided* that the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on August 1, 2016.

*"Bonds"* means the \$\_\_\_\_\_ aggregate principal amount of Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project), authorized by and at any time Outstanding pursuant to this Indenture.

*"Business Day"* means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located and on which the Federal Reserve is open.

*"City"* means the City of Long Beach, California, a municipal corporation and chartered city organized and existing under and by virtue of its charter and the laws of the State.

*"Closing Date"* means January \_\_, 2016, being the date of delivery of the Bonds to the Original Purchaser.

*"Code"* means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, thereunder.

*"Continuing Disclosure Certificate"* means that certain Continuing Disclosure Certificate executed by the City and dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

*"Costs of Issuance"* means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority or the City relating thereto, initial fees and expenses of the Trustee (including but not limited to fees and expenses for its legal counsel), compensation to any municipal advisor or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, out-of-pocket expenses of the Authority or the City, Authority and City staff costs and costs of printing.

*"Costs of Issuance Fund"* means the fund by that name established and held by the Trustee pursuant to Section 3.02.

*"Debt Service"* means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Bonds coming due and payable by their terms in such period; and (b) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

*"Defeasance Obligations"* means (a) cash; and (b) obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including: (i) United States treasury obligations; (ii) all

direct or fully guaranteed obligations; (iii) certificates of beneficial ownership of the Farmers Home Administration; (iv) participation certificates of the General Services Administration; (v) guaranteed Title XI Financings of the U.S. Maritime Administration; (vi) Government National Mortgage Association obligations; and (vii) State and Local Government Series.

*“Event of Default,”* with respect to this Indenture, means any of the events specified in Section 7.01 and, with respect to the Lease Agreement, means any of the events specified in Section 9.1 of the Lease Agreement.

*“Facility”* means the improvements more particularly described in Exhibit B to the Lease Agreement.

*“Fair Market Value”* means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term *“Fair Market Value”* means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, or (c) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

*“Federal Securities”* means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; (b) obligations of any agency or department of the United States of America which represent the full faith and credit of the United States of America or the timely payment of the principal of and interest on which are secured or guaranteed by the full faith and credit of the United States of America; and (c) any obligations issued by the State of California or any political subdivision thereof the payment of and interest and premium (if any) on which are fully secured by Federal Securities described in the preceding clauses (a) or (b), as verified by an independent certified public accountant, and rated by a Nationally Recognized Statistical Rating Organization at its then stated rating for direct general obligations of the United States of America.

*“Fiscal Year”* means any twelve-month period extending from October 1 in one calendar year to September 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the City, as applicable, as its official fiscal year period.

*“Housing Authority”* means the Housing Authority of the City of Long Beach.

*“Indenture”* means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

*“Independent Accountant”* means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

*“Information Services”* means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) and, in accordance with then current guidelines of the Securities and Exchange Commission, such other organizations providing information with respect to the redemption of bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

*“Insurance and Condemnation Fund”* means the fund by that name established and held by the Trustee pursuant to Section 5.07.

*“Interest Account”* means the account by that name established in the Revenue Fund pursuant to Section 5.02.

*“Interest Payment Date”* means each February 1 and August 1, commencing August 1, 2016.

*“Joint Powers Agreement”* means the Joint Exercise of Powers Agreement, dated as of December 8, 2015, between the City and the Housing Authority, as originally executed and as it may thereafter be amended or supplemented in accordance with its terms.

*“Lease Agreement”* means that certain Lease Agreement, dated as of January 1, 2016, by and between the Authority and the City, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

*“Lease Payment Date”* means, with respect to any Interest Payment Date, commencing with the August 1, 2016, Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

*“Lease Payments”* means the aggregate amount of all the payments required to be paid by the City pursuant to Section 4.3 of the Lease Agreement.

*“Nationally Recognized Statistical Rating Organization”* means a credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission permits financial firms to use for certain regulatory purposes.

*“Net Proceeds”* means amounts derived by the City from any policy of casualty insurance with respect to any portion of the Property, or the proceeds of any taking of the Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

*“Office”* means, with respect to the Trustee, the corporate trust office of the Trustee located in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the corporate trust operations office or agency of the Trustee, initially in St. Paul, Minnesota.

*“Original Purchaser”* means Merrill Lynch, Pierce, Fenner & Smith Incorporated, the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

*“Outstanding,”* when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee pursuant to this Indenture.

*“Owner,”* whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

*“Participating Underwriter”* shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

*“Permitted Encumbrances”* means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of Article V of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (e) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the City certifies in writing will not materially impair the use of the Property; and (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Authority and the City agree in writing do not reduce the value of the Property.

*“Permitted Investments”* means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value (provided the Trustee may rely upon the Request of the City directing investment under this Indenture as a determination that such investment is a Permitted Investment):

(a) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, fully and unconditionally guaranteed as to timely payment;

(b) debentures of the Federal Housing Administration to the extent such obligations are guaranteed by the full faith and credit of the United States of America;

(c) obligations of the following agencies which are not guaranteed by the United States of America: (i) participation certificates or debt obligations of the Federal Home Loan Mortgage Corporation; (ii) consolidated system-wide bonds and notes of the Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives); (iii) consolidated debt obligations or letter of credit-backed issues of the Federal Home Loan Banks; or (iv) mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal) or debt obligations of the Federal National Mortgage Association; *provided, however*, that not more than ten percent (10%) of the proceeds of the Bonds may, in the aggregate, be invested in any such obligations at one time;

(d) commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical-Rating Organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (i) or (ii):

(i) The entity meets the following criteria:

- is organized and operating in the United States as a general corporation
- has total assets in excess of five hundred million dollars (\$500,000,000)
- has debt other than commercial paper, if any, that is rated “A” or higher by a Nationally Recognized Statistical-Rating Organization

(ii) The entity meets the following criteria:

- is organized within the United States as a special purpose corporation, trust, or limited liability company
- has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond
- has commercial paper that is rated “A-1” or higher, or the equivalent, by two of the Nationally Recognized Statistical-Rating Organizations,

and split ratings (i.e. A2/P1) are not allowable, and no more than 10 percent of the outstanding commercial paper of any single corporate issue may be purchased;

(e) shares of beneficial interest issued by diversified management companies which invest only in direct obligations of the US Treasury, debt instruments issued by agencies of the Federal government, and repurchase agreements with a weighted average of 60 days or less, and have the highest rating from two Nationally Recognized Statistical-Rating Organizations, and must maintain a daily principal per share value of \$1.00 per share and distribute interest monthly, and have a minimum of \$500 million in assets under management. The purchase price of the shares may not include commission;

(f) demand deposits, including interest bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits or certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, including in the case of any such deposit, fund or account of the Trustee or any of its affiliates, rated in one of the top two highest categories from two Nationally Recognized Statistical-Rating Organizations without regard to gradations, or which are fully FDIC-insured;

(g) Investment agreements, guaranteed investment contracts, funding agreements, or any other form of corporate note which represents the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution which has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by a Nationally Recognized Statistical-Rating Organization;

(h) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name;

(i) Repurchase and reverse repurchase agreements collateralized with securities described in subsections (a) and (c) above, at 102% and 104% respectively, including those of the Trustee or any of its affiliates, so long as such repurchase and/or reverse repurchase agreements have a final maturity date of 365 days or less, and must be marked to market weekly with a two (2) day cure period for any deficiencies, and any failure to deliver such collateral or to cure a deficiency shall require the immediate acceleration and termination of the agreement;

(j) longer dated repurchase agreements with financial institutions, or banks insured by the FDIC, or any broker dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC), provided that: (i) the over-collateralization is at 102%, computed weekly, for securities described in subsection (a) and 104% for securities described in subsection (c); (ii) a third party custodian, the Trustee or the Federal Reserve Bank shall have possession of such obligations; (iii) the Trustee shall have perfected a first priority security interest in such obligations; and (iv) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral;

(k) Forward delivery or forward purchase agreements with underlying securities of the types outlined in (a), (b), (c) and (d) above;

(l) Tax-exempt obligations of the City, any local agency in the State or of any other 49 states, rated in either of the two highest rating categories by two of the Nationally Recognized Statistical-Rating Organizations; and

(m) the City Treasurer's Investment Pool.

*"Principal Account"* means the account by that name established in the Revenue Fund pursuant to Section 5.02.

*"Projects"* means, collectively, the hazardous materials abatement and demolition of the Los Angeles County Courthouse located in the City, the relocation of the 3rd Street and Pacific Avenue storm drain, one-time and construction costs related to the Civic Center project, and the conversion of street and park lights to light-emitting diode (LED) fixtures.

*"Project Fund"* means the fund by that name established and held by the Trustee pursuant to Section 3.03.

*"Property"* means, collectively, the Site and the Facility.

*"Rebate Fund"* means the fund by that name established and held by the Trustee pursuant to Section 6.08.

*"Record Date"* means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

*"Redemption Fund"* means the fund by that name established pursuant to Section 5.06.

*"Registration Books"* means the records maintained by the Trustee pursuant to Section 2.05 for the registration and transfer of ownership of the Bonds.

*"Regulations"* means the regulations of the United States Department of Treasury issued under the Code.

*"Revenue Fund"* means the fund by that name established and held by the Trustee pursuant to Section 5.01.

*"Revenues"* means (a) all Lease Payments, prepayments, insurance proceeds, condemnation proceeds, and (b) subject to the provisions of Section 5.07 hereof, all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture, other than the Costs of Issuance Fund and the Rebate Fund.

*"Securities Depositories"* means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

*"Sinking Account"* means the account by that name established in the Revenue Fund pursuant to Section 5.02.

*"Site"* means those certain parcels of real property more particularly described in Exhibit A to the Site and Facility Lease and in Exhibit A to the Lease Agreement.

*"Site and Facility Lease"* means the Site and Facility Lease, dated as of January 1, 2016, by and between the City, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto.

*"State"* means the State of California.

*"Supplemental Indenture"* means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

*"Tax Certificate"* means the certificate of the Authority and the City dated the Closing Date, with respect to tax matters.

*"Term of the Lease Agreement"* means the term during which the Lease Agreement is in effect, as provided in Section 4.2 of the Lease Agreement.

*"Term Bonds"* means the Bonds maturing on August 1, \_\_\_\_.

*"Trustee"* means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01.

*"Written Certificate," "Written Request" and "Written Requisition"* of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Section 1.02. Rules of Construction. All references in this Indenture to "Articles," "Sections" and other subdivisions in this Indenture are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder," and other

words of similar import in this Indenture refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.03. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law and the Authority is now authorized under each and every requirement of law to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant to this Indenture for the purposes described herein.

Section 1.04. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds. The Authority hereby authorizes the issuance of the Bonds, which shall constitute limited obligations of the Authority, for the purpose of providing funds to finance the Projects. The Bonds are hereby designated the "Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project)." The aggregate principal amount of Bonds initially issued and Outstanding under this Indenture is \_\_\_\_\_ dollars (\$\_\_\_\_\_). At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Bonds to the Original Purchaser upon payment of the purchase price therefor. This Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the Bonds to secure the full payment of the principal of and interest and premium (if any) on all the Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall mature on August 1 in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates per annum, as follows:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Interest on the Bonds shall be payable semiannually on each Interest Payment Date, to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; *provided*

*however*, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Principal of any Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee, except as provided in Section 2.04. Principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall be dated as of the Closing Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before July 15, 2016, in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.03. Transfer and Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Transfer of any Bond shall not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to Article IV. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

Any Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond shall not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to Article IV. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

Section 2.04. Book-Entry System. Notwithstanding any provision of this Indenture to the contrary:

(a) The Bonds shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, the depository designated by the Original Purchaser, and shall be evidenced by one certificate for each of the maturity dates set forth in

Section 2.02 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) ("substitute depository"); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the Authority, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the Authority and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.04, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of an Authorized Representative of the Authority to the Trustee, a single new Bond shall be issued, authenticated and delivered for each maturity of such Bond then outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of an Authorized Representative of the Authority. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.04, upon receipt of all Outstanding Bonds by the Trustee together with a written request of an Authorized Representative of the Authority, new Bonds shall be issued, authenticated and delivered in such denominations and registered in the names of such persons as are requested in a written request of the Authority provided the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a written request of an Authorized Representative of the Authority.

(c) In the case of partial redemption or an advance refunding of any Bonds evidencing all of the principal maturing in a particular year, The Depository Trust Company shall, at the Authority's expense, deliver the Bonds to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the absolute Owner thereof for all purposes of this Indenture and any

applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Bond.

(e) So long as all outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Authority and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and redemption premium, if any, and interest due on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) So long as all Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owners shall contain the Bonds' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of blanket issuer letter of representations (prepared by The Depository Trust Company) executed by the Authority and received and accepted by The Depository Trust Company.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall at all reasonable times upon reasonable prior notice be open to inspection during regular business hours by the Authority and the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in Section 2.03.

Section 2.06. Form and Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the facsimile signature of its Chairperson or Treasurer/ Auditor, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.07. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and an indemnity for the Authority and the Trustee satisfactory to the Trustee shall be given, the Authority, at the expense of the Owner of such lost, destroyed or stolen Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity for the Authority and the Trustee satisfactory to the Trustee). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.08 and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section 2.08 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.09. CUSIP Numbers. The Trustee, the Authority and the City shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any 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 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, the Authority nor the City shall be liable for any inaccuracies in such numbers.

## ARTICLE III

### APPLICATION OF PROCEEDS

#### Section 3.01. Application of Proceeds of Sale of Bonds.

(a) Upon the receipt of payment for the Bonds on the Closing Date of \$\_\_\_\_\_, being the principal amount of the Bonds of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_, plus a net original issue premium of \$\_\_\_\_\_, the Trustee shall apply the proceeds of sale thereof as follows:

(i) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund; and

(ii) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Project Fund.

(b) The Trustee may, in its sole discretion, establish such funds or accounts in its records to facilitate the foregoing deposits.

Section 3.02. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the City stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On May 1, 2016, or upon the earlier Written Request of the City, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Project Fund and the Costs of Issuance Fund shall be closed.

Section 3.03. Establishment and Application of Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in the Project Fund shall be used and withdrawn by the Trustee to pay the costs of the Projects upon submission of Written Requisitions of the City stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon written notification by the City to the Trustee that the Projects is completed or that funds in the Project Fund are no longer needed to pay costs of the Projects, all remaining amounts on deposit in the Project Fund shall be transferred by the Trustee to the Revenue Fund to be used for the payment of interest on the Bonds and the Project Fund shall be closed.

Section 3.04. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Lease Agreement. The

recital contained in the Bonds that the same are issued pursuant to the laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption.

(a) *Sinking Account Redemption.* The Term Bonds are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on August 1, \_\_\_\_, and on each August 1 thereafter, to and including August 1, \_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the Term Bonds have been redeemed pursuant to subsections (b) or (c) below, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by reducing each such future Sinking Account payment as shall be determined by the City and, in lieu of such determination, on a *pro rata* basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the City with the Trustee.

Redemption Date (August 1)	Principal Amount
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† Maturity.

(b) *Optional Redemption.* The Bonds maturing on or before August 1, \_\_\_\_, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, \_\_\_\_, shall be subject to optional redemption, in whole or in part, upon forty-five (45) days written notice to the Trustee (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) by the City of its intention to optionally prepay all or a portion of the Lease Payments, on any date on or after August 1, \_\_\_\_, from any available source of funds of the City, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Any such redemption shall be in such order of maturity as the City shall designate in the above-mentioned written notice (and, if no specific order of redemption is designated by the City, *pro rata* among maturities).

(c) *Special Mandatory Redemption From Insurance or Condemnation Proceeds.* The Bonds shall also be subject to redemption as a whole or in part on any date, to the extent the Trustee has received hazard insurance proceeds or condemnation proceeds not used to repair or replace any portion of the Property damaged or destroyed and elected by the City to be used for such

purpose as provided in Section 5.07, at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.

Section 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a particular maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond. If less than all the Outstanding Bonds are called for redemption from proceeds of eminent domain or insurance at any one time, the City shall specify to the Trustee a principal amount in each maturity to be redeemed which, to the extent practicable, results in approximately equal annual debt service on the Bonds Outstanding following such redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail, postage prepaid, not less than twenty (20) nor more than sixty (60) days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds under Section 4.01(a) above, the notice of redemption may state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, such event shall not constitute an Event of Default, the Trustee shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of this Indenture.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered and of the same interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled and destroyed by the Trustee upon surrender thereof.

Section 4.06. Purchase of Bonds. In lieu of redemption of Bonds as provided in this Article IV, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least sixty (60) days prior to the next scheduled Interest Payment Date of the written request of an Authorized Representative of the Authority, for the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the Authority may in its discretion direct, but not to exceed the redemption price which would be payable if such Bonds were redeemed. The aggregate principal amount of Bonds of the same maturity purchased in lieu of redemption pursuant to this Section 4.06 shall not exceed the aggregate principal amount of Bonds of such maturity which would otherwise be subject to such redemption. Any Bonds so purchased shall be surrendered to the Trustee for cancellation.

## ARTICLE V

### REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### Section 5.01. Pledge and Assignment; Revenue Fund.

(a) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to this Indenture (other than the Costs of Issuance Fund and the Rebate Fund) are hereby pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Lease Agreement (except for rights to receive Additional Payments, rights to give approvals and consents thereunder, the right to enforce venue, and certain rights to indemnification and expenses set forth therein), and in the Site and Facility Lease (except for rights to give approvals and consents thereunder and certain rights to indemnification set forth therein). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and may, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority, all of the obligations of the City under the Lease Agreement.

The assignment of the Lease Agreement and the Site and Facility Lease to the Trustee is solely in its capacity as Trustee under this Indenture and the duties, powers and liabilities of the Trustee in acting thereunder shall be subject to the provisions of this Indenture, including, without limitation, the provisions of Article VIII hereof. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority under the Lease Agreement or the Site and Facility Lease.

(c) The Trustee agrees to provide written notice to the City at least five Business Days prior to each Lease Payment Date of the amount, if any, on deposit in the Revenue Fund which shall serve as a credit against, and shall relieve the City of making, the Lease Payments due from the City on such Lease Payment Date. Subject to Sections 5.06 and 5.07, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust; except that all

moneys received by the Trustee and required hereunder or under the Lease Agreement to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such Funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture.

Section 5.02. Allocation of Revenues. Not later than the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due at maturity and payable on such Interest Payment Date.

(c) The Trustee shall deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any, pursuant to Section 4.01(a).

(d) If the then applicable Interest Payment Date is February 1, all remaining moneys shall be held by the Trustee in the Revenue Fund and applied for the next succeeding August 1 Interest Payment Date deposits. If the then applicable Interest Payment Date is August 1, all remaining moneys shall be transferred to the City for deposit to the General Fund of the City free and clear of any pledge or lien imposed under this Indenture.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

Section 5.05. Application of Sinking Account. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds pursuant to Section 4.01(a).

Section 5.06. Application of Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and any premium on the Bonds to be redeemed pursuant to Sections 4.01(b) or (c); *provided, however,* that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, in accordance with Section 4.06.

Section 5.07. Insurance and Condemnation Fund.

(a) *Establishment of Fund.* Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Property, the Trustee shall establish and maintain an Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section 5.06.

(b) *Application of Insurance Proceeds.* Any Net Proceeds of insurance against accident to or destruction of the Property collected by the City in the event of any such accident or destruction shall be paid to the Trustee by the City pursuant to Section 6.1 of the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the City fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Property, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds pursuant to Section 4.01(c). All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the City, upon receipt of Written Requisitions of the City, as agent for the Authority, which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the City to the Trustee shall be remitted by the Trustee to the City.

(c) *Application of Eminent Domain Proceeds.* If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to Section 6.1 of the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(i) If the City has not given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Property

or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds pursuant to Section 4.01(c).

(ii) If the City has given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Property or such portion thereof, the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such replacement, upon the filing of Written Requisitions of the City as agent for the Authority in the form and containing the provisions set forth in subsection (b) of this Section 5.06. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Section 5.08. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the City pursuant to a Written Request of the City filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which Written Request shall certify that the investments constitute Permitted Investments) or such shorter time as the Trustee may accept in its sole discretion. In the absence of any such directions from the City, the Trustee shall invest such amounts in a Permitted Investment described in clause (f) of the definition of Permitted Investments herein. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. The City shall take the liquidity needs of the moneys held hereunder into account in making investments.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder and held by the Trustee shall be deposited or retained in the Revenue Fund, except that any earnings on amounts in the Rebate Fund shall remain in such fund to be used for the purposes thereof. To the extent that any investment agreement requires the payment of fees, such fees shall be paid from available moneys in the Revenue Fund after the deposit of moneys described in Section 5.02 (a) through (c) above. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee or its affiliates may act as sponsor, advisor or depository with respect to any Permitted Investment. To the extent that any Permitted Investment purchased by the Trustee are registrable securities such Permitted Investment shall be registered in the name of the Trustee on behalf of the Owners. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.08.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the City the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the City specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

Such investments shall be valued by the Trustee not less often than quarterly at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value (other than the Project Fund) shall be restored no later than the succeeding valuation date.

The Trustee may utilize securities pricing services that may be available to it making such valuations, including those within its accounting system with respect to the Bonds, and conclusively rely thereon.

## ARTICLE VI

### PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 6.02 shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 6.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes. Nothing in this section shall in any way limit the City's ability to encumber its assets in accordance with the Lease Agreement.

Section 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned under this Indenture in the manner and to the extent provided in this Indenture. The Authority has duly authorized the execution and delivery of the Bonds and this Indenture under the terms and provisions of the Act and a resolution adopted by the Board and further represents, covenants and warrants that all requirements have been met and procedures have occurred in order to ensure the enforceability against the Authority of the Bonds and this Indenture. The Authority has taken all necessary action and has complied with all provisions of the Act required to make the Bonds and this Indenture the valid, legal and binding limited obligations of the Authority.

Section 6.05. Accounting Records. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Lease Agreement and all funds and

accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the City, during business hours and under reasonable circumstances upon reasonable prior notice.

Section 6.06. No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Section 6.07. Tax Covenants. The Authority covenants to and for the benefit of the Owners that, notwithstanding any other provisions of this Indenture (other than Section 11.01 hereof), it will:

(a) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Bonds or the moneys and investments held in the funds and accounts established under this Indenture which would cause the Bonds to be arbitrage bonds under section 103(b) and section 148 of the Code and the Regulations issued under section 148 of the Code or which would otherwise cause the interest payable on the Bonds to be includable in gross income for federal income tax purposes;

(b) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Bonds to be includable in gross income of the Owners of the Bonds for federal income tax purposes;

(c) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the Bonds will be excluded from the gross income, for federal income tax purposes, of the Owners pursuant to the Code; and

(d) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations.

In furtherance of the covenants in this Section 6.07, the Authority shall execute, deliver and comply with the provisions of the Tax Certificate. The Trustee agrees it will invest funds held under this Indenture in accordance with the terms of this Indenture (this covenant shall extend throughout the term of the Bonds, to all funds and accounts created under this Indenture held by the Trustee and all moneys on deposit to the credit of any fund or account held by the Trustee).

Section 6.08. Rebate Fund.

(a) The Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary to comply with instructions of the Authority. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust,

to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. Neither the Authority nor the Owner of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section 6.08, by Section 6.07 and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Authority including supplying all necessary information reasonably requested by the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate or any other tax covenants contained herein. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall have no independent duty to review such calculations or enforce the compliance by the Authority with such rebate requirements. The Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the Authority.

(b) Upon the Authority's written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Authority or the City, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Authority in accordance with the Tax Certificate. The Trustee shall supply to the Authority all necessary information requested by the Authority to the extent such information is reasonably available to the Trustee.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section 6.08, other than from moneys held in the Rebate Fund or from other moneys provided to it by the Authority or the City.

(d) At the written direction of the Authority, the Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments. Moneys shall not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Trustee shall not be liable for any consequences arising from such investment.

(e) Upon receipt of the Authority's written directions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Authority so directs, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Authority's written directions; *provided, however*, only moneys in excess of the Rebate Requirement may, at the written direction of the Authority, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund (i) after each five year remission to the United States, and (ii) after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, shall be withdrawn by the Trustee and remitted to the City.

(f) Notwithstanding any other provision of this Indenture, including in particular Article X, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section 6.08, Section 6.07 and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

Section 6.09. Collection of Amounts Due Under Lease Agreement. The Trustee shall promptly collect all amounts due from the City pursuant to the Lease Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority, for the enforcement of all of the obligations of the City under the Lease Agreement.

The Authority shall not amend, modify or terminate any of the terms of the Lease Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent only if (a) in the opinion of Bond Counsel, such amendment, modification or termination will not materially adversely affect the interests of the Owners, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

Section 6.10. Continuing Disclosure. Pursuant to Section 5.11 of the Lease Agreement, the City has undertaken all responsibility for compliance with continuing disclosure requirements, and neither the Authority nor the Trustee shall have any liability to the Owners of the Bonds or any other person with respect to the Continuing Disclosure Certificate. The Trustee hereby covenants and agrees that it will comply with and carry out all of the provisions of Section 5.11 of the Lease Agreement applicable to it. Notwithstanding any other provision of this Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall at the request of the Owners or Beneficial Owners (as defined in the Continuing Disclosure Certificate) of at least 25% aggregate principal amount of Outstanding Bonds, to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys, or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under Section 5.11 of the Lease Agreement or to cause the Trustee to comply with its obligations under this Section 6.10. For purposes of this Section 6.10, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Section 6.11. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Section 6.12. Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

(b) Default in the due and punctual payment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee; *provided, however*, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default hereunder if the Authority shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time which period shall be no longer than 120 days after the original written notice of default.

(d) The occurrence and continuation of an Event of Default under and as such term is defined in the Lease Agreement.

Section 7.02. Remedies Upon Event of Default. Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, and payment of its fees and expenses, including the fees and expenses of its counsel, shall in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners under, and require the Authority or the City to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Lease Agreement and this Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Lease Agreement or this Indenture, as the case may be;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Owners of Bonds; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds hereunder.

Upon the occurrence of an Event of Default, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Revenues, *ex parte*, and without notice, and the Authority consents to the appointment of such receiver upon the occurrence of an Event of Default. In the case of any receivership, insolvency, bankruptcy, or other judicial proceedings affecting the Authority or the City, the Trustee shall be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have the claims of the Trustee and the Bond Owners allowed in such proceedings, without prejudice, however, to the right of any Bond Owner to file a claim on his or her own behalf; provided, the Trustee shall be entitled to compensation and reimbursement for the reasonable fees and expenses of its counsel and indemnity for its reasonable expenses and liability from the Authority, the City or the Bond Owners, as appropriate.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bond Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Bond Owner in any such proceeding without the approval of the Bond Owners so affected.

Notwithstanding anything contained herein or in the Lease Agreement to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Trustee to liability under any Environmental Laws, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The term "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto. The term "Hazardous Substances" shall mean any chemical, substance or material classified or designated as hazardous, toxic or radioactive, or other similar term, and now or hereafter regulated under any Environmental Laws, including without limitation, asbestos, petroleum and hydrocarbon products. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action, and such approval cannot be obtained.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter

received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

*First:* To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

*Second:* To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Section 7.04. Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as shall be deemed most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee

without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Section 7.05. Bond Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

Section 7.06. Limitation on Bond Owners' Right to Sue. Notwithstanding any other provision hereof, no Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Lease Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Lease Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.07. Absolute Obligation of Authority. Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and

other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.08. Termination of Proceedings. If any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10. No Waiver of Default. No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.11. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Authority, the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of this Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the City, the Authority, the Trustee, their officers, employees and agents, and the Owners.

## ARTICLE VIII

### THE TRUSTEE

#### Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Authority may remove the Trustee at any time and the Authority shall remove the Trustee if at any time requested to do so by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section 8.01, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and the City and thereupon shall appoint a successor Trustee by an instrument in writing. Any such removal shall be made upon at least thirty (30) days' prior written notice to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within sixty (60) days of giving notice of removal or notice of resignation as aforesaid, the Authority shall (or the Trustee may) petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority, to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and

all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or national banking association included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), shall be subject to supervision or examination by federal or state agency, and shall be acceptable to the City in its discretion. If such corporation or national banking association publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining agency above referred to then for the purpose of this subsection (e), the combined capital and surplus of such corporation or national banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section 8.01.

Section 8.02. Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under subsection (e) of Section 8.01 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall not be taken as statements of the Trustee, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Lease Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be

responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or wilful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof, at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Lease Agreement or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City and the Authority of the terms, conditions, covenants or agreements set forth in the Lease Agreement, other than the covenants of the City to make Lease Payments to the Trustee when due, such reports and certifications as the City are required to file with the Trustee thereunder.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it is not assured to its satisfaction that the repayment of such funds or indemnity satisfactory to it against such risk or liability is reasonably assured to it.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of Owners pursuant to this Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture and the Lease Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of Section 8.01(a), this Section 8.03 and Section 8.04 hereof.

(j) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease Agreement or this Indenture for the existence, furnishing or use of the Property.

(l) Except to the extent that information was provided by the Trustee, the Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The indemnities extended to the Trustee also extend to its directors, officers, employees and agents. The rights, protections and indemnities of the Trustee herein shall also apply to the Trustee when acting under the Lease Agreement or the Site and Facility Lease.

(n) The Trustee may become the owner or pledgee of any Bonds with the same rights it would have if it were not Trustee.

(o) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes,

freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Property, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(p) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee acts upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Trustee and that there may be more secure methods of transmitting instructions than the method(s) selected by the Authority; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances..

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, facsimile, e-mail, resolution, request, requisition, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the

Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained by the Trustee and shall be subject at all reasonable times to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions upon reasonable prior notice.

Section 8.06. Compensation and Indemnification. The Authority shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all reasonable expenses and disbursements (including fees and expenses of counsel), incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify, defend and hold harmless the Trustee against any loss, liability or expense incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this Indenture, under the Lease Agreement, or any other document or transaction contemplated in connection herewith including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. As security for the performance of the obligations of the Authority under this Section 8.06 to the Trustee, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of or interest on particular Bonds. The rights of the Trustee and the obligations of the Authority under this Section 8.06 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

#### Section 9.01. Amendments Permitted.

(a) This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority may deem necessary or desirable;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any

similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to modify, amend or supplement this Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income of the Owners under the Code.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income of the Owners for purposes of federal income taxes of interest on the Bonds.

(e) Written notice of any amendment or modification made pursuant to this Section 9.01 shall be given by the Authority to any rating agency then rating the Bonds prior to the effective date of such amendment or modification.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same series and maturity.

Section 9.04. Amendment of Particular Bonds. The provisions of this Article IX shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

## ARTICLE X

### DEFEASANCE

Section 10.01. Discharge of Indenture. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

(a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, Defeasance Obligations in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture (except its obligations under Section 8.06 hereof) with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Defeasance Obligations, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

Section 10.04. Unclaimed Funds. Notwithstanding any provisions of this Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in this Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the City free from the trusts created by this Indenture and without liability for interest thereon, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the City as aforesaid, the Trustee shall (at the written request and cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Revenues. None of the Authority, any Authority members, any Board members or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds are limited obligations of the Authority, payable solely from and secured by the pledge of Revenues. Neither the Authority, its members, the State, nor any of its political subdivisions shall be directly, indirectly, contingently or morally obligated to use any other moneys or assets to pay all or any portion of the debt service due on the Bonds, to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Bonds are not a pledge of the faith and credit of the Authority, its members, the State or any of its political subdivisions nor do they constitute indebtedness within the meaning of any constitutional or statutory debt limitation. The Authority has no taxing power.

The Authority shall not be liable for payment of the principal of or interest on the Bonds or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Indenture, the Bonds or any other documents, except only to the extent amounts are received for the payment thereof from the City under the Lease Agreement.

Section 11.02. Limitation of Rights to Parties and Bond Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the City, the Authority and the Owners of the Bonds.

Section 11.03. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations hereunder. The Trustee shall deliver a monthly accounting to the Authority of the funds and accounts held hereunder; provided, that the Trustee shall not be obligated to deliver an accounting for any fund or account that has had no activity since the last reporting date and that has a balance of zero.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be



If to the Trustee: U.S. Bank National Association  
633 West Fifth Street, 24<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust Services  
Fax: (213) 615-6199

The City, the Authority and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.08. Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 11.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination (unless 100% of the Bonds are so owned). Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 11.09 if the pledgee shall certify to the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Upon request, the Authority or the City shall specify to the Trustee those Bonds disqualified pursuant to this Section 11.09. The Trustee may conclusively rely on such representation of the Authority and the City.

Section 11.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Waiver of Personal Liability. No Board member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

Section 11.12. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the City, the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the City, the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.13. Execution in Several Counterparts. This Indenture 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 Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. Governing Law. This Indenture and the Bonds are contracts made under the laws of the State and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State.

IN WITNESS WHEREOF, the FINANCE AUTHORITY OF LONG BEACH has caused this Indenture to be signed in its name by its duly Authorized Representative and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

FINANCE AUTHORITY OF LONG BEACH

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

Its: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

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

Authorized Officer

06021.01:J13569

**EXHIBIT A**

**FORM OF BOND**

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

**FINANCE AUTHORITY OF LONG BEACH  
Lease Revenue Bonds, Series 2016A  
(Courthouse Demolition Project)**

INTEREST RATE:	MATURITY DATE:	ORIGINAL ISSUE DATE:	CUSIP:
_____ %	August 1, ____	January __, 2016	____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The FINANCE AUTHORITY OF LONG BEACH, a duly constituted joint exercise of powers agency under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before July 15, 2016, in which event it shall bear interest from the Original Issue Date specified above; *provided, however*, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate specified above, payable semiannually on February 1 and August 1 in each year, commencing August 1, 2016 (collectively, the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office (the "Office") of U.S. Bank National Association, as trustee (the "Trustee") or such other place as designated by the Trustee. Interest hereon is payable by check on the Interest Payment Date of the Trustee mailed on the applicable Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee at least

five days prior to such Record Date by a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such Registered Owner in such written request.

This Bond is not a debt of the City of Long Beach, California (the "City"), Los Angeles County, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues (as defined in the Indenture hereinafter defined).

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project) (the "Bonds"), in an aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Law"), and pursuant to an Indenture of Trust, dated as of January 1, 2016, by and between the Authority and the Trustee (the "Indenture"), and a resolution of the Authority adopted on December 15, 2015, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds are being issued to (a) finance costs of the hazardous materials abatement and demolition of the old Los Angeles County Courthouse located in the City, the relocation of the 3rd Street and Pacific Avenue storm drain, one-time and construction costs related to the Civic Center project, and the conversion of street and park lights to light-emitting diode (LED) fixtures; and (b) pay costs of issuance of the Bonds.

This Bond and the interest and premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are limited obligations of the Authority, and are payable from, and are secured by a charge and lien on the Revenues as defined in the Indenture, consisting primarily of payments by the City under the Lease Agreement. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the

time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or after August 1, \_\_\_\_, are subject to optional redemption prior to their respective stated maturities, at the written direction of the Authority, from moneys deposited by the Authority or the City, in whole or in part, in such order of maturity as the City designates (and, if no specific order of redemption is designated by the City, in inverse order of maturity), on any date on or after August 1, \_\_\_\_, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are also subject to redemption as a whole, or in part on a *pro rata* basis among maturities, on any date, to the extent the Trustee has received hazard insurance proceeds or condemnation proceeds not used to repair or replace any portion of the leased property damaged or destroyed and elected by the City, to be used for such purpose, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on August 1, \_\_\_\_, are also subject to mandatory redemption from sinking account payments made by the Authority from the principal component of scheduled Lease Payments made by the City, in part by lot, on August 1, \_\_\_\_, and on each August 1 thereafter, to and including August 1, \_\_\_\_, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, as set forth in the following table:

Redemption Date (August 1)	Principal Amount
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† Maturity.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption may be conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive

sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, such event shall not constitute an Event of Default, the Trustee shall send written notice to the Owners to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of the Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Office of the Trustee, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Office of the Trustee, or such other place as designated by the Trustee, for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or the Trustee for registration of transfer, exchange, or payment, and any 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.

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

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Finance Authority of Long Beach has caused this Bond to be executed in its name and on its behalf with the facsimile signature of a Member of its Board of as of the Original Issue Date specified above.

FINANCE AUTHORITY OF LONG BEACH

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

Its: \_\_\_\_\_

### CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

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

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

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

**FORM OF ASSIGNMENT**

For value received, the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_

\_\_\_\_\_

(Name, Address and Tax Identification or Social Security Number of Assignee)

\_\_\_\_\_

\_\_\_\_\_

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s)

\_\_\_\_\_

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signature Guaranteed:

\_\_\_\_\_  
Notice: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

\_\_\_\_\_  
Notice: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever."

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**LEASE AGREEMENT**

**by and between the**

**FINANCE AUTHORITY OF LONG BEACH, as Lessor**

**and the**

**CITY OF LONG BEACH, CALIFORNIA, as Lessee**

**dated as of January 1, 2016**

**relating to:**

**\$ \_\_\_\_\_**

**Finance Authority of Long Beach  
Lease Revenue Bonds, Series 2016A  
(Courthouse Demolition Project)**

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## LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease Agreement"), dated for convenience as of January 1, 2016, is by and between the FINANCE AUTHORITY OF LONG BEACH, a joint exercise of powers agency organized and existing under and by virtue of the laws of the State of California, as lessor (the "Authority"), and the CITY OF LONG BEACH, CALIFORNIA, a municipal corporation and chartered city organized and existing under and by virtue of the laws of the State of California, as lessee (the "City").

### RECITALS:

WHEREAS, pursuant to that certain Site and Facility Lease, dated as of January 1, 2016 (the "Site and Facility Lease"), the City has leased those certain parcels of real property situated in Los Angeles County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (collectively, the "Site"), and certain existing facilities on the Site, more particularly described in Exhibit B attached hereto and made a part hereof (the "Facility" and, with the Site, the "Property"), all for the purpose of enabling the City to finance costs of the hazardous materials abatement and demolition of the old County of Los Angeles Courthouse located on property of the City, the relocation of the 3rd Street and Pacific Avenue storm drain, and one-time and construction costs related to the Civic Center project (collectively, the "Projects");

WHEREAS, in order to provide the revenues necessary to enable the Authority to pay debt service on the Bonds (hereinafter defined) as it becomes due, the Authority proposes to lease the Property to the City pursuant to this Lease Agreement and to assign its right to receive lease payments under this Lease Agreement (the "Lease Payments"), its right to enforce payment of the Lease Payments and otherwise to enforce its interest and rights under this Lease Agreement in the event of a default hereunder by the City, to U.S. Bank National Association, as trustee (the "Trustee"), pursuant to that certain Indenture of Trust, dated as of January 1, 2016, by and between the Authority and the Trustee (the "Indenture"), and pursuant to which the Authority will issue and the Trustee will authenticate and deliver the \$\_\_\_\_\_ aggregate principal amount of Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project) (the "Bonds"); and

WHEREAS, the Authority and the City have duly authorized the execution and delivery of this Lease Agreement.

### AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby formally covenant, agree and bind themselves as follows:

## ARTICLE I

### DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms used in this Lease Agreement have the respective meanings given them in Section 1.01 of the Indenture.

Section 1.2. Exhibits. The following exhibits are attached to, and by this reference made a part of, this Lease Agreement:

- EXHIBIT A: DESCRIPTION OF THE SITE
- EXHIBIT B: DESCRIPTION OF THE FACILITY
- EXHIBIT C: SCHEDULE OF LEASE PAYMENTS

## ARTICLE II

### REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of Authority. The Authority makes the following covenants, representations and warranties as the basis for its undertakings herein contained:

(a) *Organization/Authority*. The Authority is a joint exercise of powers agency duly organized and existing under the laws of the State and is duly authorized to issue the Bonds and to perform its obligations under the Site and Facility Lease and this Lease Agreement.

(b) *Enforceability*. All requirements have been met and procedures have occurred in order to authorize the execution and delivery by the Authority of the Site and Facility Lease, this Lease Agreement and the Indenture. The Authority has taken all necessary action and has complied with all provisions of the law required to make the Site and Facility Lease, this Lease Agreement and the Indenture valid and binding limited obligations of the Authority, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(c) *Limited Obligation of the Authority*. The Bonds have been duly authorized, executed and delivered by the Authority. Nothing in the Site and Facility Lease, this Lease Agreement or the Indenture shall be construed as requiring the Authority to provide any financing for the Projects other than the proceeds of the Bonds deposited to the Project Fund, or to provide sufficient moneys for all of the cost of financing the Projects.

(d) *No Litigation*. To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Authority that (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the Bonds, the application of the proceeds of the Bonds, or the execution and delivery of the Site and Facility Lease, this Lease Agreement or the Indenture, (ii) affects or questions the validity or enforceability of the Bonds or the Site and Facility Lease, this Lease Agreement and the Indenture, or (iii) questions the tax-exempt status of interest on the Bonds.

Section 2.2. Representations, Covenants and Warranties of the City. The City makes the following covenants, representations and warranties to the Authority as of the date of the execution and delivery of this Lease Agreement:

(a) *Organization/Authority*. The City is a municipal corporation and chartered city duly organized and in good standing under the laws of the State and has full legal right, power and authority to enter into the Site and Facility Lease and this Lease Agreement and to carry out and consummate all transactions on its part contemplated hereby and thereby and by proper

action has duly authorized the execution, delivery and performance by the City of the Site and Facility Lease and this Lease Agreement.

(b) *Execution/Delivery.* The Site and Facility Lease and this this Lease Agreement have been duly authorized, executed and delivered by the City.

(c) *Enforceability.* This Lease Agreement constitutes the legal, valid and binding agreement of the City enforceable against the City by the Trustee in accordance with its terms for the benefit of the Owners, and any rights of the Authority and obligations of the City not so assigned to the Trustee constitute the legal, valid, and binding agreements of the City enforceable against the City by the Authority in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(d) *No Conflicts.* The execution and delivery of the Site and Facility Lease and this this Lease Agreement, the consummation of the transactions on the part of the City herein and therein contemplated and the fulfillment of or compliance by the City with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City (other than as contemplated hereby and by the Site and Facility Lease), which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site and Facility Lease or this Lease Agreement, or the financial condition, assets, properties or operations of the City.

(e) *No Other Consents.* No consent or approval of any trustee or holder of any indebtedness of the City or any guarantor of indebtedness of or other provider of credit or liquidity to the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery by the City of the Site and Facility Lease and this Lease Agreement, or the consummation of any transaction of the City herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation.* There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the City, after reasonable investigation, threatened, against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material adverse effect upon the consummation of the transactions

contemplated by or the validity of the Site and Facility Lease or this Lease Agreement, or upon the financial condition, assets, properties or operations of the City.

(g) *Disclosures Accurate.* No official statement or other offering document in connection with the issuance of the Bonds, as of its date or as of the date hereof, contains any untrue statement of a 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.

(h) *Financial Condition.* All financial statements and information heretofore delivered to the Original Purchaser by City, including without limitation, information relating to the financial condition of City and the Projects, fairly and accurately present the financial position thereof and have been prepared (except where specifically noted therein) in accordance with generally accepted accounting principles consistently applied. Since the date of such statements, there has been no material adverse change in the financial condition or results of operations of the City or the other subjects of such statements.

(i) *Title to Property.* The City has good and marketable title to the Property free and clear from all encumbrances other than Permitted Encumbrances.

(j) *No Defaults.* The City is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) (i) under the Site and Facility Lease or this Lease Agreement, or (ii) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site and Facility Lease, this Lease Agreement or the Indenture, or the financial condition, assets, properties or operations of the City.

(k) *All Necessary Approvals.* All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State and the federal government have been or will be obtained with respect to the acquisition, construction and installation of the Projects and the Projects will be acquired, constructed and installed and the Facilities will be operated pursuant to and in accordance with such certificates, approvals, permits and authorizations.

### ARTICLE III

#### ISSUANCE OF THE BONDS

Section 3.1. The Bonds. The Authority has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_). The Authority agrees that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit and application pursuant to the terms and conditions of the Indenture, which terms and conditions authorize the City to draw upon amounts in the Project Fund for purposes of financing the Projects. The City hereby approves the Indenture, the assignment to the Trustee of the rights (but none of the obligations) of the Authority assigned or purported to be assigned thereunder, and the issuance of the Bonds by the Authority thereunder.

## ARTICLE IV

### LEASE OF PROPERTY; TERM OF THE LEASE AGREEMENT; LEASE PAYMENTS

Section 4.1. Lease of Property. The Authority hereby leases the Property to the City, and the City hereby leases the Property from the Authority, upon the terms and conditions set forth in this Lease Agreement.

Section 4.2. Term of Lease. This Lease Agreement shall take effect on the date hereof, and shall end on the earlier of August 1, 2026, or such earlier date on which the Bonds shall no longer be Outstanding under the Indenture. If, on August 1, 2026, the Indenture shall not be discharged by its terms or if the Lease Payments payable hereunder shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond August 1, 2036.

#### Section 4.3. Lease Payments.

(a) *Obligation to Pay.* In consideration of the lease of the Property from the Authority hereunder and subject to the provisions of Section 6.2, the City agrees to pay to the Authority, its successors and assigns, as rental for the use and occupancy of the Property during each Fiscal Year, the Lease Payments (denominated into components of principal and interest) for the Property in the respective amounts specified in Exhibit C hereto, to be due and payable on the respective Lease Payment Dates specified in Exhibit C hereto. Any amount held in the Revenue Fund, the Interest Account, the Principal Account or the Sinking Account on any Lease Payment Date, derived from any source of funds of the City or the Authority, shall be credited towards the Lease Payment then due and payable. The Lease Payments coming due and payable in any Fiscal Year shall be for the use of the Property for such Fiscal Year.

The City's obligation to pay Lease Payments hereunder shall be absolute and unconditional subject only to abatement, in the event and to the extent that there is substantial interference with the use and occupancy of the property or any portion thereof, as provided in Section 6.2.

(b) *Rate on Overdue Payments.* In the event the City should fail to make any of the payments required in this Section 4.3, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest borne by any Outstanding Bond. Such interest, if received, shall be deposited in the Revenue Fund.

(c) *Fair Rental Value.* The Lease Payments and Additional Payments coming due and payable in each Fiscal Year shall constitute the total rental for the Property for each Fiscal Year

and shall be paid by the City in each Fiscal Year for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Property during each Fiscal Year. The Authority and the City hereby agree and determine that the total Lease Payments do not exceed the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under this Lease Agreement, the value of the Property, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

(d) *Source of Payments; Budget and Appropriation.* The Lease Payments shall be payable from any source of available funds of the City, subject to the provisions of Section 6.2. The City covenants to take such action as may be necessary to include all Lease Payments due hereunder in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The covenants on the part of the City herein contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City. During the Term of the Lease Agreement, the City shall furnish to the Authority and the Trustee, no later than ten days following the adoption of a budget for the current Fiscal Year, a certificate stating that the Lease Payments due in that Fiscal Year have been included in the budget approved by the City Council for such Fiscal Year.

(e) *Assignment.* The City understands and agrees that all Lease Payments have previously been assigned by the Authority to the Trustee in trust, pursuant to Section 5.01 of the Indenture, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay all of the Lease Payments to the Trustee at its Office.

(f) *Security Deposit.* Notwithstanding any other provision of this Lease Agreement, the City may on any date secure the payment of the Lease Payments for the Property in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts, including but not limited to amounts on deposit in the Revenue Fund, is either (i) sufficient to pay such Lease Payments, including the principal and interest components thereof, and premium, if any, in accordance with the Lease Payment schedule set forth in Exhibit C, or (ii) invested in whole or in part in Defeasance Obligations in such amount as will, in the opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due hereunder, as the City shall instruct at the time of said deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease Agreement.

Section 4.4. Prepayment Option. The Authority hereby grants an option to the City to prepay the principal component of the Lease Payments in full, or in part, without premium.

Said option may be exercised with respect to Lease Payments due on and after July 15, \_\_\_\_, in whole or in part on any date commencing July 15, \_\_\_\_. Said option shall be exercised by the City by giving written notice to the Authority and the Trustee of the exercise of such option at least thirty (30) days prior to said Lease Payment Date, or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee. Such option shall be exercised in the event of prepayment in full, by depositing with said notice cash in an amount, which, together with amounts then on deposit in the Insurance and Condemnation Fund and the Revenue Fund, will be sufficient to pay the aggregate unpaid Lease Payments on said Lease Payment Date as set forth in Exhibit C hereto, together with any Lease Payments then due but unpaid, or, in the event of prepayment in part, by depositing with said notice cash equal to the amount desired to be prepaid (the principal component of which shall be an amount divisible by \$5,000) together with any Lease Payments then due but unpaid. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such manner as the City shall determine and if the City shall fail to make such determination, pro rata among the principal components of the Lease Payments not yet due and payable. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit C attached hereto taking into account said partial prepayment.

Section 4.5. Quiet Enjoyment. During the Term of the Lease Agreement, the Authority shall provide the City with quiet use and enjoyment of the Property, and the City shall, during such Term, peaceably and quietly have and hold and enjoy the Property without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease Agreement. The Authority will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority shall have the right to inspect the Property as provided in Section 7.2.

Section 4.6. Title. If the City pays all of the Lease Payments and Additional Payments during the Term of the Lease Agreement as the same become due and payable, or if the City posts a security deposit for payment of the Lease Payments pursuant to Section 4.3(f), and if the City has paid in full all of the Additional Payments coming due and payable as of such date, and provided in any event that no Event of Default shall have occurred and be continuing, all right, title and interest of the Authority in and to the Property shall be transferred to and vested in the City. The Authority agrees to take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

Section 4.7. Additional Payments. In addition to the Lease Payments, the City shall pay when due the following Additional Payments:

(a) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby

(including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the City shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the City's expense, to protest and contest any such taxes or assessments levied upon them and that the City shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(b) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture as and when the same become due and payable;

(c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Site and Facility Lease, this Lease Agreement or the Indenture; and

(d) The reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Site and Facility Lease, this Lease Agreement or the Indenture or the Bonds, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving the Site and Facility Lease, this Lease Agreement or the Indenture or the Bonds or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the City, its properties, assets or operations or otherwise in connection with the administration of the Site and Facility Lease, this Lease Agreement or the Indenture.

(e) Any amounts due and payable by the City as arbitrage rebate under section 148 of the Code with respect to the Bonds, pursuant to City's covenants and agreements with respect thereto in Section 6.08 of the Indenture and Section 5.10(c) hereof.

Such Additional Payments shall be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the City within thirty (30) days after the date of invoice. Notwithstanding the foregoing, the Authority shall not be required to submit a bill to the City for any amounts due with respect to arbitrage rebate under Section 6.08 of the Indenture, the calculation and payment for which is the responsibility of the City.

## ARTICLE V

### MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the City and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, phone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or lessee thereof. In exchange for the Lease Payments herein provided, the Authority agrees to provide only the Property, as hereinbefore more specifically set forth. The City waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the City under the terms of this Lease Agreement.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the City that, in the reasonable opinion of the Authority, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Section 5.2. Modification of Property. The City shall, at its own expense, have the right to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the City shall file with the Trustee and the Authority a Written Certificate of the City stating that the Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section 5.2, shall be of a value which is not substantially less than the

value of the Property immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to this Section 5.2; provided that if any such lien is established and the City shall first notify or cause to be notified the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

Section 5.3. Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained throughout the Term of the Lease Agreement, a standard comprehensive general insurance policy or policies in protection of the Authority, the City, and their respective Board members, Council members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$250,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and such liability insurance may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 5.7, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied by the City toward extinguishment or satisfaction of the liability with respect to which they are paid.

Section 5.4. Fire and Extended Coverage Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, insurance against loss or damage to the improvements constituting a part of the Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance, when required, shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount at least equal to the lesser of (a) one hundred percent (100%) of the replacement cost of all of the insured improvements, or (b) the aggregate principal amount of the outstanding Bonds. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled

insurance; provided however, that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance shall be applied as provided in Section 6.1(a).

Section 5.5. Rental Interruption Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum Lease Payments coming due and payable during any future twenty-four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance except for a time element deductible not to exceed sixty (60) days in duration. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Revenue Fund, and shall be credited towards the payment of the Lease Payments as the same become due and payable.

Section 5.6. Recordation Hereof; Title Insurance. On or before the Closing Date the City shall, at its expense, (a) cause the Site and Facility Lease and this Lease Agreement, or a memorandum hereof or thereof, in each case in form and substance approved by Bond Counsel, to be recorded in the office of the Los Angeles County Recorder, and (b) obtain a CLTA policy of title insurance which insures the City's leasehold estate in the Property in an amount equal to the aggregate initial principal amount of the Bonds. All Net Proceeds received under said policy shall be deposited with the Trustee in the Redemption Fund and shall be deposited in the Insurance and Condemnation Fund.

Section 5.7. Net Proceeds of Insurance; Form of Policies. Each policy of insurance maintained pursuant to Sections 5.4, 5.5 and 5.6 shall name the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee. All required insurance policies shall be provided by a commercial insurer in one of the two highest rating categories by a Nationally Recognized Statistical Rating Organization (without regard to designations of plus (+) or minus (-)). The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency or amount of any insurance or self-insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The City shall cause to be delivered to the Trustee annually, no later than February 1 in each year, a certificate stating that all of the insurance policies required by this Lease Agreement are in full force and effect and identifying whether any such insurance is then maintained in the form of self-insurance.

In the event that any insurance maintained pursuant to Section 5.3 shall be provided in the form of self-insurance, the City shall file with the Trustee annually, within ninety (90)

days following the close of each Fiscal Year, a statement of the City risk manager, insurance consultant or actuary identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the City, the City shall not be obligated to make any payment with respect to any insured event except from such reserves. The results of such review shall be filed with the Trustee.

Section 5.8. Installation of Personal Property. The City may, at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Property. All such items shall remain the sole property of the City, in which neither the Authority nor the Trustee shall have any interest, and may be modified or removed by the City at any time provided that the City shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the City from purchasing or leasing items to be installed pursuant to this Section 5.8 under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Section 5.9. Liens. Neither the City nor the Authority shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to any portion of the Property, other than the respective rights of the Trustee, the Authority and the City as provided herein and Permitted Encumbrances. Except as expressly provided in this Article V, the City and the Authority shall promptly, at their own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The City shall reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.10. Tax Covenants.

(a) *Private Activity Bond Limitation.* The City shall assure that proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition.* The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement.* The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(d) *No Arbitrage.* The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had

been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) *Maintenance of Tax-Exemption.* The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 5.11. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Lease Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; *provided, however,* that the Participating Underwriter or any Owner or Beneficial Owner (as defined in the Continuing Disclosure Certificate) of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section 5.11, including seeking mandate or specific performance by court order.

Section 5.12. Payment of Costs of Issuance and Direction of Investments. The City hereby agrees that, pursuant to Section 3.02 of the Indenture, it will direct the payment of Costs of Issuance and that, pursuant to Section 5.08 of the Indenture, it will direct the Investment of funds held by the Trustee, and acknowledges the matters set forth in Section 5.08 of the Indenture.

## ARTICLE VI

### DAMAGE, DESTRUCTION AND EMINENT DOMAIN; ABATEMENT OF LEASE PAYMENTS

#### Section 6.1. Application of Net Proceeds.

(a) *From Insurance Award.* The Net Proceeds of any insurance award resulting from any damage to or destruction of the Property by fire or other casualty shall be paid by the City to the Trustee and shall be deposited in the Insurance and Condemnation Fund by the Trustee and applied as set forth in Section 5.07 of the Indenture.

(b) *From Eminent Domain Award.* If the Property or any portion thereof shall be taken permanently or temporarily under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Net Proceeds resulting therefrom shall be deposited in the Insurance and Condemnation Fund and applied as set forth in Section 5.07 of the Indenture.

(c) *From Title Insurance Award.* The Net Proceeds of any title insurance award shall be paid to the Trustee, deposited in the Insurance and Condemnation Fund and applied as set forth in Section 5.07 of the Indenture.

#### Section 6.2. Abatement of Lease Payments.

(a) *Abatement Due to Damage or Destruction of the Property.* The Lease Payments shall be abated during any period in which by reason of damage to or destruction of the Property (other than by eminent domain which is hereinafter provided for) there is substantial interference with the use and occupancy by the City of the Property or any portion thereof. The amount of such abatement shall be an amount agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Property not damaged or destroyed and available for use and possession by the City. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction or the date when the remaining portion of the Property is available for use and possession by the City. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the City waives any right to terminate this Lease Agreement by virtue of any such damage or destruction. There shall be no abatement of the Lease Payments to the extent that moneys derived from any person as a result of such damage or destruction are available to pay the amount which would otherwise be abated or if there is any money available in the Revenue Fund to pay the amount which would otherwise be abated.

(b) *Abatement Due to Eminent Domain.* If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease with respect to the Property as of the day possession shall be so taken. If less than all of the Property shall be taken

permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (i) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (ii) there shall be a partial abatement of Lease Payments in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments for the Property represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

## ARTICLE VII

### DISCLAIMER OF WARRANTIES; ACCESS

Section 7.1. Disclaimer of Warranties. THE AUTHORITY MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE PROPERTY, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROPERTY. IN NO EVENT SHALL THE AUTHORITY AND ITS ASSIGNS BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THE SITE AND FACILITY LEASE, THIS LEASE AGREEMENT OR THE INDENTURE FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE CITY'S USE OF THE PROPERTY.

Section 7.2. Rights of Access. The City agrees that the Authority and any Authorized Representative of the Authority, and the Authority's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The City further agrees that the Authority, any Authorized Representative of the Authority, and the Authority's successors or assigns, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the City to perform its obligations hereunder; provided, however, that the Authority's assigns shall not be required to cause such proper maintenance.

Section 7.3. Non-Liability of the Authority. The Authority shall not be obligated to pay the principal of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to this Lease Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member of the Authority is pledged to the payment of the principal or interest on the Bonds. Neither the Authority nor its members, Board members, officers, agents or employees or their successors and assigns shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under, by reason of or in connection with this Lease Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the City under this Lease Agreement.

The City hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be payments made by the City to the Trustee pursuant to this Lease Agreement, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the City shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal or interest, including, but not limited to,

any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the City, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor but solely, in the case of the Authority, from the Revenues.

Section 7.4. Expenses. The City shall pay and indemnify the Authority and the Trustee against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Trustee, without negligence or wilful misconduct) and arising out of or in connection with the Site and Facility Lease, this Lease Agreement, the Indenture and the Bonds. These obligations and those in Section 7.5 shall remain valid and in effect notwithstanding payment of the Lease Payments or the Bonds or termination of this Lease Agreement or the Indenture.

Section 7.5. Indemnification.

(a) To the fullest extent permitted by law, the City agrees to indemnify, hold harmless and defend the Authority, the Trustee, and each of their respective past, present and future officers, members, Board members, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Indenture, the Site and Facility Lease, this Lease Agreement or the Tax Certificate relating to the Bonds, or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the City or any of its agents, contractors, servants, employees, tenants) or licensees in connection with the Projects or the Property, the operation of the Projects or the Property, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Projects or the Property or any part thereof;

(iii) any lien or charge upon payments by the City to the Authority and the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Projects or the Property;

(iv) any violation of any environmental laws or regulations with respect to, or the release of any hazardous substances from, the Projects or the Property or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Bonds, or allegations that interest on the Bonds is taxable or any regulatory audit or inquiry regarding whether interest on the Bonds is taxable; or

(viii) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (a) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the City, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the City shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the City if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(b) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses shall survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of this Section 7.5 shall survive the termination of this Lease Agreement.

Section 7.6. Waiver of Personal Liability. No member, Board member, officer, agent or employee of the Authority or any officer, agent or employee of the City shall be individually or personally liable for the payment of any principal of or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Lease Agreement, but nothing herein contained shall relieve any such member, Board member, officer, agent or employee from the performance of any official duty provided by law or by this Lease Agreement.

## ARTICLE VIII

### ASSIGNMENT, LEASING AND AMENDMENT

Section 8.1. Assignment by the Authority. Certain rights of the Authority under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City under this Lease Agreement, have been pledged and assigned to the Trustee for the benefit of the Owners of the Bonds pursuant to the Indenture, to which pledge and assignment the City hereby consents. The assignment of this Agreement to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture, including, without limitation, the provisions of Article VIII thereof.

Section 8.2. Assignment and Subleasing by the City. This Lease Agreement may not be assigned by the City. The City may sublease the Property or any portion thereof, subject to, and delivery to the Authority of a certificate as to, all of the following conditions:

(a) This Lease Agreement and the obligation of the City to make Lease Payments hereunder shall remain obligations of the City;

(b) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) No such sublease by the City shall cause the Property to be used for a purpose other than as may be authorized under any applicable provisions of the laws of the State; and

(d) The City shall furnish the Authority and the Trustee with a written opinion of Bond Counsel, stating that such sublease is permitted by this Lease Agreement and the Indenture, and will not, in itself, cause the interest on the Bonds to become included in gross income of the Owners of the Bonds for federal income tax purposes.

Section 8.3. Amendment of Lease.

(a) *Substitution of Site*. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") for the Site (the "Former Site"), or a portion thereof, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

(i) The City shall file with the Authority and the Trustee an amended Exhibit A to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) The City shall file with the Authority and the Trustee an amended Exhibit A to this Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) The City shall certify in writing to the Authority and the Trustee that such Substitute Site serves the purposes of the City, constitutes property that is unencumbered (or the portion of such property to be substituted is unencumbered), subject to Permitted Encumbrances, and constitutes property which the City is permitted to lease under the laws of the State;

(iv) The City delivers to the Trustee and the Authority evidence that the Substitute Site (or the portions to be substituted) is of equal or greater value than the Site (or the portions thereof) to be substituted;

(v) The City shall certify the Substitute Site shall not cause the City to violate any of its covenants, representations and warranties made herein;

(vi) The City shall obtain an amendment to the title insurance policy required pursuant to Section 5.6 hereof which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(vii) The City shall certify that the Substitute Site is of the same or greater essentiality to the City as was the Former Site;

(viii) The City shall certify that the Substitute Site has a useful life equal to or longer than the remaining term of the Bonds; and

(ix) The City shall provide notice of such substitution to any rating agency then rating the Bonds.

(b) *Substitution of Facility.* The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute a substitute facility or substitute facilities (a "Substitute Facility") for the Facility (the "Former Facility"), or a portion thereof, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

(i) The City shall file with the Authority and the Trustee an amended Exhibit B to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility, if applicable;

(ii) The City shall file with the Authority and the Trustee an amended Exhibit B to this Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iii) The City shall certify in writing to the Authority and the Trustee that such Substitute Facility serves the purposes of the City, constitutes property that is unencumbered (or the portion of such property to be substituted is unencumbered), subject to Permitted Encumbrances, and constitutes property which the City is permitted to lease under the laws of the State;

(iv) The City delivers to the Trustee and the Authority evidence that the Substitute Facility (or the portions to be substituted) is of equal or greater value than the property (or the portions thereof) to be substituted;

(v) The City shall certify the Substitute Facility shall not cause the City to violate any of its covenants, representations and warranties made herein;

(vi) The City shall certify that the Substitute Facility is of the same or greater essentiality to the City as was the Former Facility;

(vii) The City shall certify that the Substitute Facility has a useful life equal to or longer than the remaining term of the Bonds; and

(viii) The City shall provide notice of such substitution to any rating agency then rating the Bonds.

(c) *Release of Site.* The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The City shall file with the Authority and the Trustee an amended Exhibit A to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The City shall file with the Authority and the Trustee an amended Exhibit A to this Lease Agreement which describes the Site, as revised by such release;

(iii) The City delivers to the Trustee and the Authority evidence that the Site, as revised by such release, including the value of the Facility (other than any portion thereof, or the Site or any portion thereof to be released), has a value at least equal to the principal amount of the Bonds then outstanding;

(iv) The City shall obtain an amendment to the title insurance policy required pursuant to Section 5.6 hereof which describes the Site, as revised by such release; and

(v) The City shall provide notice of such release to any rating agency then rating the Bonds.

(d) *Release of Facility.* The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Facility provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The City shall file with the Authority and the Trustee an amended Exhibit B to the Site and Facility Lease which describes the Facility, as revised by such release;

(ii) The City shall file with the Authority and the Trustee an amended Exhibit B to this Lease Agreement which describes the Facility, as revised by such release;

(iii) The City delivers to the Trustee and the Authority evidence that the Facility, as revised by such release, together with the Site (that remains subject to this Lease Agreement), has a total value at least equal to the principal amount of the Bonds then outstanding; and

(iv) The City shall provide notice of such release to any rating agency then rating the Bonds.

(e) *Generally.* The Authority and the City may at any time amend or modify any of the provisions of this Lease Agreement, but only (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds, or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City contained in this Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners of the Bonds; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of the Owners of the Bonds of interest on the Bonds under the Code, in the opinion of Bond Counsel.

## ARTICLE IX

### EVENTS OF DEFAULT; REMEDIES

Section 9.1. Events of Default Defined. The following shall be "Events of Default" under this Lease Agreement:

(a) Failure by the City to pay any Lease Payment required to be paid hereunder at the time specified herein.

(b) Failure by the City to make any Additional Payment required hereunder and the continuation of such failure for a period of thirty (30) days after notice thereof is given to the City by the Trustee.

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee; provided, however, that if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if the City shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith shall cure such failure in a reasonable period of time which shall last no longer than 120 days after the original written notice.

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of applicable federal bankruptcy law, or under any similar acts which may hereafter be enacted.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; provided, however, that notwithstanding anything to the contrary herein or in the Indenture, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable or to terminate this Lease Agreement or to cause the fee interest of the City in the Property to be sold, assigned or otherwise alienated. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and, upon the breach thereof, the Authority may exercise any and all rights of entry and re-entry upon the Property. The City hereby irrevocably consents to the Authority's repossession of the Property if such an Event of Default shall occur and consents to the Authority's re-letting of the Property for the account

of the City. In the event of such default and notwithstanding any re-entry by the Authority, the City shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein contained and, in any event, such rent and/or damages shall be payable to the Authority at the time and in the manner as herein provided, to wit:

(a) The City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Property, or, in the event the Authority is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Authority.

(b) The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Property in the event of default by the City in the performance of any covenants herein contained to be performed by the City and to remove all personal property whatsoever situated upon the Property to place such property in storage or other suitable place in Los Angeles County, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained.

(c) The City hereby waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as herein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Property.

(d) The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise.

Section 9.3. Limitation on Remedies. Notwithstanding the foregoing provisions of Section 9.2, neither the Authority nor the Trustee shall exercise any remedies against the Property to the extent such remedies would generate funds which are not available to satisfy the obligations of this Lease Agreement or the Indenture.

Section 9.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall, except as herein expressly provided to the contrary, be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.5. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.6. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.7. Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article IX have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture. The Trustee shall be considered a third party beneficiary of this Lease Agreement for enforcing its rights under this Lease Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All written notices to be given under this Lease Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by phone, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt.

To the Authority: Finance Authority of Long Beach  
c/o City of Long Beach  
Department of Financial Management  
333 West Ocean Boulevard, 6<sup>th</sup> Floor  
Long Beach, CA 90802  
Attention: City Treasurer  
Fax: (562) 570-5836

If to the City: City of Long Beach  
Department of Financial Management  
333 West Ocean Boulevard, 6<sup>th</sup> Floor  
Long Beach, CA 90802  
Attention: City Treasurer  
Fax: (562) 570-5836

If to the Trustee: U.S. Bank National Association  
633 West Fifth Street, 24<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust Services  
Fax: (213) 615-6199

The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

Section 10.2. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

Section 10.3. Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.4. Net-net-net Lease. This Lease Agreement shall be deemed and construed to be a “net-net-net lease” and the City hereby agrees that the Lease Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

Section 10.5. Further Assurances and Corrective Instruments. The Authority and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease Agreement.

Section 10.6. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.7. Governing Law. This Lease Agreement is a contract made under the laws of the State and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State.

Section 10.8. Authorized Representatives. Whenever under the provisions of this Lease Agreement the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given for the Authority by an Authorized Representative of the Authority and for the City by an Authorized Representative of the City, and any party hereto shall be authorized to rely upon any such approval or request.

Section 10.9. Waiver of Personal Liability. All liabilities under this Lease Agreement on the part of the City are solely liabilities of the City and the Authority hereby releases each and every Council member, director, officer, employee and agent of the City of and from any personal or individual liability under this Lease Agreement. No Council member, director, officer, employee or agent of the City shall at any time or under any circumstances be individually or personally liable under this Lease Agreement for anything done or omitted to be done by the City hereunder.

Section 10.10. Limitation of Rights to Parties and Bond Owners. Nothing in this Lease Agreement expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds any legal or equitable right, remedy or claim under or in respect of this Lease Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

Section 10.11. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

IN WITNESS WHEREOF, the Authority has caused this Lease Agreement to be executed in its name by its duly Authorized Representative; and the City has caused this Lease Agreement to be executed in its name by its duly authorized officer, as of the date first above written.

FINANCE AUTHORITY OF LONG  
BEACH

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

Its: \_\_\_\_\_

CITY OF LONG BEACH

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

David S. Nakamoto,  
City Treasurer

06021.01:j13562

## **EXHIBIT A**

### **DESCRIPTION OF THE SITE**

Real property in the City of Long Beach, the County of Los Angeles, State of California, described as follows:

## **EXHIBIT B**

### **DESCRIPTION OF THE FACILITY**

The Facility consists of a public parking facility (Plaza Parking 3 of 3) on Pine Avenue in the City, which is a three story parking structure located on the Site, including a ground floor parking office, two elevators and, as of the Closing Date, a total of 869 parking stalls.

## EXHIBIT C

### SCHEDULE OF LEASE PAYMENTS

Lease Payment Date	Principal Component	Interest Component	Total Lease Payment
7/16/2016			
1/16/2017			
7/16/2017			
1/16/2018			
7/16/2018			
1/16/2019			
7/16/2019			
1/16/2020			
7/16/2020			
1/16/2021			
7/16/2021			
1/16/2022			
7/16/2022			
1/16/2023			
7/16/2023			
1/16/2024			
7/16/2024			
1/16/2025			
7/16/2025			
1/16/2026			
7/16/2026			

Quint & Thimmig LLP

**AFTER RECORDATION RETURN TO:**

Quint & Thimmig LLP  
900 Larkspur Landing Circle, Suite 270  
Larkspur, CA 94939-1726  
Attention: Paul J. Thimmig, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

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**SITE AND FACILITY LEASE**

**by and between the**

**CITY OF LONG BEACH, CALIFORNIA, as Lessor**

**and the**

**FINANCE AUTHORITY OF LONG BEACH, as Lessee**

**dated as of January 1, 2016**

**relating to:**

**\$\_\_\_\_\_**

**Finance Authority of Long Beach  
Lease Revenue Bonds, Series 2016A  
(Courthouse Demolition Project)**

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## SITE AND FACILITY LEASE

This SITE AND FACILITY LEASE, dated as of January 1, 2016, is by and between the CITY OF LONG BEACH, a municipal corporation and chartered city organized and existing under and by virtue of the laws of the State of California (the "City"), as lessor, and the FINANCE AUTHORITY OF LONG BEACH, a joint exercise of powers agency organized and existing under and by virtue of the laws of the State of California, as lessee (the "Authority"):

### RECITAL:

WHEREAS, the Authority intends to assist the City by leasing certain real property and improvements to the City pursuant to a Lease Agreement, dated as of January 1, 2016, by and between the City and the Authority, and recorded concurrently herewith by memorandum thereof (the "Lease Agreement"), and the City proposes to enter into this Site and Facility Lease with the Authority as a material consideration for the Authority's agreement to lease such real property and improvements to the City.

### AGREEMENT:

NOW, THEREFORE, it is hereby mutually agreed as follows:

Section 1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Site and Facility Lease shall have the respective meanings specified in that certain Indenture of Trust, dated as of January 1, 2016, by and between the Authority and U.S. Bank National Association, as trustee.

Section 2. Site and Facility Lease. The City hereby leases to the Authority and the Authority hereby leases from the City, on the terms and conditions hereinafter set forth, those certain parcels of real property situated in Los Angeles County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (collectively, the "Site"), and certain existing facilities on the Site, more particularly described in Exhibit B attached hereto and made a part hereof (collectively, the "Facility").

Section 3. Term. The term of this Site and Facility Lease shall commence on the date of recordation of this Site and Facility Lease in the Office of the County Recorder of Los Angeles County, State of California, and shall end on August 1, 2026, unless such term is extended or sooner terminated as hereinafter provided. If, on August 1, 2036, the aggregate amount of Lease Payments shall not have been paid, or provision shall not have been made for their payment, then the term of this Site and Facility Lease shall be extended until such Lease Payments shall be fully paid or provision made for such payment. If, prior to August 1, 2026, all Lease Payments shall be fully paid or provision made for such payment in accordance with Section 4.3 or 4.4 of the Lease Agreement, the term of this Site and Facility Lease shall end.

Section 4. Rental. The City acknowledges receipt from the Authority as and for rental hereunder the sum of one dollar (\$1.00), on or before the date of delivery of this Site and Facility Lease.

Section 5. Purpose. The Authority shall use the Site and the Facility solely for the purpose of leasing the Site and the Facility to the City pursuant to the Lease Agreement and for such purposes as may be incidental thereto; *provided, however*, that in the event of default by the City under the Lease Agreement, the Authority and its assigns may exercise the remedies provided in the Lease Agreement.

Section 6. District's Interest in the Site and the Facility. The City covenants that it is the owner of fee title to the Site and the Facility.

Section 7. Assignments; Subleases; Amendments. Unless the City shall be in default under the Lease Agreement, the Authority may not assign its rights under this Site and Facility Lease or sublet the Site or the Facility, except as provided in the Lease Agreement and the Indenture, without the written consent of the City. This Site and Facility Lease may be amended, if required, pursuant to the provisions of Section 8.3 of the Lease Agreement.

Section 8. Right of Entry. The City reserves the right, for any of its duly authorized representatives, to enter upon the Site and the Facility at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 9. Termination. The Authority agrees, upon the termination of this Site and Facility Lease, to quit and surrender the Site and the Facility in the same good order and condition as the same was in at the time of commencement of the term hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements and structures existing upon the Site and the Facility at the time of the termination of this Site and Facility Lease shall remain thereon and title thereto shall vest in the City.

Section 10. Default. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of this Site and Facility Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of this Site and Facility Lease and of the Lease Agreement shall be deemed to occur as a result thereof; *provided, however*, that so long as any Bonds are outstanding and unpaid in accordance with the terms thereof, the Lease Payments assigned by the Authority to the Trustee under the Indenture shall continue to be paid to the Trustee.

Section 11. Quiet Enjoyment. The Authority, at all times during the term of this Site and Facility Lease, shall peaceably and quietly have, hold and enjoy the Site and the Facility subject to the provisions of the Lease Agreement and the Indenture.

Section 12. Waiver of Personal Liability. All liabilities under this Site and Facility Lease on the part of the Authority are solely liabilities of the Authority and the City hereby releases each and every member, Board member, officer, employee and agent of the Authority of and from any personal or individual liability under this Site and Facility Lease. No member, Board member, officer, employee or agent of the Authority shall at any time or under any circumstances be individually or personally liable under this Site and Facility Lease for anything done or omitted to be done by the Authority hereunder.

Section 13. Taxes. The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Site and the Facility (including both land and improvements).

Section 14. Eminent Domain. In the event the whole or any part of the Site or the Facility is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then unpaid Bonds including the unpaid principal and interest with respect to any such Bonds then outstanding and, subject to the provisions of the Lease Agreement, the balance of the award, if any, shall be paid to the City.

Section 15. Use of the Proceeds. The City and the Authority hereby agree that the lease to the Authority of the City's right, title and interest in the Site and the Facility pursuant to Section 2 serves the public purposes of the City. The City hereby agrees that the proceeds of the Bonds shall be used solely for the purpose of financing the costs of the Project and the costs of issuance of the Bonds, subject to the provisions of the Indenture.

Section 16. Partial Invalidity. If any one or more of the terms, provisions, covenants or conditions of this Site and Facility Lease shall, to any extent, be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding, order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site and Facility Lease shall be affected thereby, and each provision of this Site and Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 17. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid, and, if to the City, to the City Treasurer, c/o City of Long Beach, Department of Financial Management, 333 West Ocean Boulevard, 6<sup>th</sup> Floor, Long Beach, CA 90802, and if to the Authority, to the City Treasurer, c/o the City of Long Beach, Department of Financial Management, 333 West Ocean Boulevard, 6<sup>th</sup> Floor, Long Beach, CA 90802, or to such other addresses as the respective parties may from time to time designate by notice in writing.

Section 18. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site and Facility Lease.

Section 19. Applicable Law. This Site and Facility Lease shall be governed by and construed in accordance with the laws of the State.

Section 20. Execution in Counterparts. This Site and Facility Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the City and the Authority have caused this Site and Facility Lease to be executed by their respective authorized representatives thereunto duly authorized, all as of the day and year first above written.

CITY OF LONG BEACH

By: \_\_\_\_\_  
David S. Nakamoto,  
City Treasurer

FINANCE AUTHORITY OF LONG BEACH

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

06021.01:J13563

## NOTARY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }  
County of \_\_\_\_\_ } ss.

On \_\_\_\_\_, before me, \_\_\_\_\_  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared \_\_\_\_\_  
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ [Seal]  
Notary Public

**NOTARY ACKNOWLEDGMENT**

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State of California }  
County of \_\_\_\_\_ } ss.

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I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ [Seal]  
Notary Public

**EXHIBIT A**

**DESCRIPTION OF THE SITE**

Real property in the City of Long Beach, County of Los Angeles, State of California, described as follows:

## **EXHIBIT B**

### **DESCRIPTION OF THE FACILITY**

The Facility consists of a public parking facility (Plaza Parking 3 of 3) on Pine Avenue in the City, which is a three story parking structure located on the Site, including a ground floor parking office, two elevators and, as of the Closing Date, a total of 869 parking stalls.

**AFTER RECORDATION RETURN TO:**

Quint & Thimmig LLP  
900 Larkspur Landing Circle, Suite 270  
San Francisco, CA 94105-2874  
Attention: Paul J. Thimmig, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

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**MEMORANDUM OF LEASE AGREEMENT**

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This MEMORANDUM OF LEASE AGREEMENT (this “Memorandum of Lease Agreement”), is entered into as of January 1, 2016, by and between the FINANCE AUTHORITY OF LONG BEACH, a joint exercise of powers agency organized and existing under and by virtue of the laws of the State of California (the “Authority”), and the CITY OF LONG BEACH, CALIFORNIA, a municipal corporation and chartered city organized and existing under and by virtue of its charter and the laws of the State of California, as lessee (the “City”), who agree as follows:

*Section 1. The Lease.* The City leases from the Authority and the Authority leases to the City, certain real property described in Section 2 hereof, and the improvements situated and to be situated upon said real property, upon the terms and conditions, and for the term, more fully set forth in the Lease Agreement, dated as of January 1, 2016, by and between the Authority, as lessor, and the City, as lessee (the “Lease Agreement”), all of the provisions of which are hereby incorporated into this Memorandum of Lease Agreement by reference.

*Section 2. Leased Premises; Term.* The Authority leases, lets and demises unto the City and the City leases, hires and takes from the Authority, those certain parcels of real property situated in Los Angeles County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (collectively, the “Site”), and certain existing facilities on the Site, more particularly described in Exhibit B attached hereto and made a part hereof (the “Facility” and, together with the Site, the “Property”). The Lease Agreement is for a term commencing on the date of recordation of this Memorandum of Lease Agreement and ending on August 1, 2026, or such earlier date on which the Lease Payments (as defined in the Lease Agreement) are paid in full or provision has been made for such payment in accordance with the Lease Agreement.

*Section 3. Assignment of Authority’s Rights Under Lease Agreement.* Pursuant to the Indenture of Trust, dated as of January 1, 2016, by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and evidenced by a memorandum of assignment of lease, dated as of January 1, 2016, and recorded concurrently herewith, the Authority has

agreed to assign and transfer to the Trustee certain of its rights under the Lease Agreement, and in consideration of such assignment the Authority has agreed to issue and the Trustee has agreed to authenticate and deliver \$\_\_\_\_\_ aggregate principal amount of the Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project).

*Section 4. Provisions Binding on Successors and Assigns.* Subject to the provisions of the Lease Agreement relating to assignment and subletting, the Lease Agreement shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

*Section 5. Purpose of Memorandum.* This Memorandum of Lease Agreement is prepared for the purpose of recordation and it in no way modifies the provisions of the Lease Agreement.

*Section 6. Execution.* This Memorandum of Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Authority has caused this Memorandum of Lease Agreement to be executed in its corporate name by its duly authorized Representative; and the City has caused this Memorandum of Lease Agreement to be executed in its name by its duly authorized officer, as of the date first above written.

FINANCE AUTHORITY OF LONG BEACH

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

Its: \_\_\_\_\_

CITY OF LONG BEACH, CALIFORNIA

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

David S. Nakamoto  
City Treasurer

06021.01:]13564

## NOTARY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of \_\_\_\_\_

} ss.

On \_\_\_\_\_, before me, \_\_\_\_\_  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared \_\_\_\_\_  
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ [Seal]  
Notary Public

**NOTARY ACKNOWLEDGMENT**

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State of California }  
County of \_\_\_\_\_ } ss.

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personally appeared \_\_\_\_\_  
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ [Seal]  
Notary Public

## **EXHIBIT A**

### **DESCRIPTION OF THE SITE**

Real property in the City of Long Beach, County of Los Angeles, State of California, described as follows:

## **EXHIBIT B**

### **DESCRIPTION OF THE FACILITY**

The Facility consists of a public parking facility (Plaza Parking 3 of 3) on Pine Avenue in the City, which is a three story parking structure located on the Site, including a ground floor parking office, two elevators and, as of the Closing Date, a total of 869 parking stalls.

**AFTER RECORDATION RETURN TO:**

Quint & Thimmig LLP  
900 Larkspur Landing Circle, Suite 270  
Larkspur, CA 94939-1726  
Attention: Paul J. Thimmig, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

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**MEMORANDUM OF ASSIGNMENT OF LEASE**

---

THIS MEMORANDUM OF ASSIGNMENT OF LEASE (this "Memorandum"), made and entered into as of January 1, 2016, is by and between the FINANCE AUTHORITY OF LONG BEACH, a joint exercise of powers agency organized and existing under and by virtue of the laws of the State of California (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee").

In the joint and mutual exercise of their powers, in consideration of the mutual covenants herein contained, and for other consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

*Section 1. Recitals.*

(a) The Authority and the City of Long Beach, California (the "City") have entered into that certain Lease Agreement, dated as of January 1, 2016 (the Lease Agreement"), evidenced by a memorandum recorded concurrently herewith, under which the Authority has leased to the City certain parcels of real property situated in Los Angeles County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (collectively, the "Site"), certain existing facilities on the Site, more particularly described in Exhibit B attached hereto and made a part hereof (the "Facility" and, together with the Site, the "Property").

(b) Under the Lease Agreement, the Authority has agreed to lease the Property to the City in the manner and on the terms set forth therein, which terms include, without limitation, the obligation of the City to pay Lease Payments (as defined in the Lease Agreement) to the Authority, as the rental for the lease of the Property.

(c) Under the Lease Agreement and under an Indenture of Trust, dated as of January 1, 2016, by and between the Authority and the Trustee (the "Indenture"), the Authority is required to cause to be deposited certain sums of money to be credited, held and applied in accordance therewith.

(d) For the purpose of obtaining such moneys, the Authority has assigned and transferred to the Trustee, under the Indenture, certain of its rights under the Lease Agreement for the purpose of securing the bonds of the Authority designated the "Finance Authority of Long Beach Lease Revenue Bonds, Series 2016A (Courthouse Demolition Project)," issued under the Indenture in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds").

(e) The Authority has requested the Trustee to enter into this Memorandum for the purpose of memorializing such assignment of record.

*Section 2. Assignment.* The Authority has transferred, assigned and set over to the Trustee, pursuant to the terms of the Indenture, and does hereby assign to the Trustee for the benefit of the Owners of Bonds, (a) all of the rights of the Authority in the Lease Agreement (other than the rights of the Authority under Sections 4.7, 7.3, 7.4, 7.5, 7.6, 9.5 and 10.9 thereof and other than its rights to receive notices and to give approvals and consents thereunder), including but not limited to the right to receive and collect all of the Lease Payments (including prepayments thereof) from the City under the Lease Agreement, and the right to exercise such rights and remedies conferred on the Authority pursuant to the Lease Agreement as may be necessary or convenient to enforce payment of the Lease Payments and prepayments thereof, and (b) all of the rights of the Authority in the Site and Facility Lease (other than the rights of the Authority under Section 12 thereof and other than its rights to give approvals and consents thereunder). All rights assigned by the Authority shall be administered by the Trustee in accordance with the provisions of the Indenture and for the benefit of the owners of the Bonds.

*Section 3. Acceptance.* The Trustee hereby accepts the assignments made herein for the purpose of providing for the payments due pursuant to the Indenture to, and the rights under the Lease Agreement and Indenture of, the owners of the Bonds delivered pursuant to the Indenture, all subject to the provisions of the Indenture.

*Section 4. Conditions.* This Memorandum shall confer no obligations or impose no duties upon the Trustee beyond those expressly provided for in the Indenture.

*Section 5. Counterpart Signatures.* This Memorandum may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties have executed this Memorandum by their authorized representatives thereunto duly authorized as of the day and year first written above.

FINANCE AUTHORITY OF LONG BEACH

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

Its: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION,  
AS TRUSTEE

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

Authorized Officer

06021.01:J13565

## NOTARY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of \_\_\_\_\_

} ss.

On \_\_\_\_\_, before me, \_\_\_\_\_  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared \_\_\_\_\_  
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ [Seal]  
Notary Public

**NOTARY ACKNOWLEDGMENT**

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State of California }  
County of \_\_\_\_\_ } ss.

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WITNESS my hand and official seal.

Signature \_\_\_\_\_ [Seal]  
Notary Public

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## **EXHIBIT B**

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