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Date: November 2,2009

To: Mayor & City Council

From: Patrick H. West
City Manager

Subject: Senior Airport
Revenue Bonds, Series 2009C

Comments: Information related
to Agenda Item R-30 on the
November 3, 2009 Council
Agenda



Date: October 29, 2009
To: Patrick H. West, City Manager
From: David S. Nakamoto, City Treasurer
For: Mayor and Members of the City Council
Subject: Senior Airport Revenue Bonds, Series 2009C

As related to agenda item #30 on the November 3, 2009 City Council agenda, attached for your information is the Draft Preliminary Official Statement (POS) for the Senior Airport Revenue Bonds, Series 2009C.

If you have any questions, I can be reached at extension 8.6845.

Thank you.

PHW:DSK:mrn
T:\Correspondences\Memo - TFF to M-CC re LB Airport Revenue Bonds.doc
Attachment

cc: Suzanne Frick, Assistant City Manager
Reginald I. Harrison, Deputy City Manager
Larry Herrera, City Clerk
Lori Ann Farrell, Director – Financial Management
Mario Rodriguez, Director – Long Beach Airport
Jyl Marden – Assistant to the City Manager

NEW ISSUES - BOOK-ENTRY ONLY

Ratings: (See "RATINGS" herein)

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2009A Bonds and the Series 2009B Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2009C Bonds is included in gross income for federal income tax purposes. Under existing laws, regulations, rulings and judicial decisions, Bond Counsel is further of the opinion that interest on the Series 2009 Bonds is exempt from all present State of California personal income taxes. For a more complete description, see "TAX MATTERS" herein.

§[PAR1]*
CITY OF LONG BEACH, CALIFORNIA
Senior Airport Revenue Bonds
Series 2009A

§[PAR2]*
CITY OF LONG BEACH, CALIFORNIA
Senior Airport Revenue Refunding Bonds
Series 2009B

§[PAR3]*
CITY OF LONG BEACH, CALIFORNIA
Senior Airport Revenue Bonds
Series 2009C
(Federally Taxable – Build America Bonds –
Direct Payment To Issuer)

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

The City of Long Beach, California Senior Airport Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), the City of Long Beach, California Senior Airport Revenue Refunding Bonds, Series 2009B (the "Series 2009B Bonds") and the City of Long Beach, California Senior Airport Revenue Bonds, Series 2009C (the "Series 2009C Bonds," and together with the Series 2009A Bonds and the Series 2009B Bonds, the "Series 2009 Bonds") are being issued by the City of Long Beach (the "City") pursuant to the Charter of the City of Long Beach and Sections 3.52.110 *et seq.* of the Long Beach Municipal Code, the Master Senior Trust Indenture, to be dated as of [] 1, 2009 (the "Master Senior Indenture") by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and the First Supplemental Senior Trust Indenture, to be dated as of [] 1, 2009 (the "First Supplemental Senior Indenture," and together with the Master Senior Indenture, the "Indenture") by and between the City and the Trustee. See "DESCRIPTION OF THE SERIES 2009 BONDS" herein.

The proceeds of the Series 2009A Bonds will be used to (i) finance and refinance the 2009 Project (as defined herein), (ii) reimburse the City for expenditures previously incurred by the City in connection with the 2009 Project, (iii) fund [a portion of] the interest to accrue on the Series 2009A Bonds and the Series 2009C Bonds through September 2011, (iv) current refund a portion of the outstanding Series A Subordinate Commercial Paper Notes (as defined herein), (v) fund the reserve requirement for the Series 2009A Bonds, (vi) [purchase a municipal bond insurance policy], and (vii) pay the costs of issuance of the Series 2009A Bonds. The proceeds of the Series 2009B Bonds, together with other available funds, will be used to (i) current refund all of the Long Beach Airport's (the "Airport") outstanding Certificates of Participation (1993 Airport Refunding Project), (ii) fund the reserve requirement for the Series 2009B Bonds, (iii) [purchase a municipal bond insurance policy], and (iv) pay the costs of issuance of the Series 2009B Bonds. The proceeds of the Series 2009C Bonds will be used to (i) finance the 2009 Project, (ii) reimburse the City for expenditures previously incurred by the City in connection with the 2009 Project, (iii) fund the reserve requirement for the Series 2009C Bonds, (iv) [purchase a municipal bond insurance policy], and (v) pay the costs of issuance of the Series 2009C Bonds.

Interest on the Series 2009 Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2010. The Series 2009 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2009 Bonds may be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2009 Bonds. So long as the Series 2009 Bonds are held by DTC, the principal of and interest on the Series 2009 Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners (as defined herein) of the Series 2009 Bonds, as more fully described herein. See "APPENDIX F—BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2009A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein. The Series 2009B Bonds are not subject to redemption prior to maturity. The Series 2009C Bonds are subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity, as more fully described herein.

THE SERIES 2009 BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF NET REVENUES (AS DEFINED HEREIN) DERIVED BY THE CITY FROM THE OPERATIONS OF THE ENTERPRISE (AS DEFINED HEREIN) AND THE AIRPORT, AND SUCH OTHER AMOUNTS, FUNDS AND ACCOUNTS PLEDGED UNDER THE INDENTURE. THE SERIES 2009 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY. NONE OF THE PROPERTIES OF THE ENTERPRISE AND THE AIRPORT ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN (EXCEPT FOR THE LIEN CREATED BY THE INDENTURE ON THE NET REVENUES) FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2009 BONDS AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS.

This cover page is not intended to be a summary of the terms of, or the security for, the Series 2009 Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS" herein.

* Preliminary; subject to change.
 4820-4390-8356.6

This document is not intended to constitute an offer or a solicitation of an offer to buy or sell securities. It is not intended to be used in connection with any offer or solicitation of an offer to buy or sell securities. It is not intended to be used in connection with any offer or solicitation of an offer to buy or sell securities. It is not intended to be used in connection with any offer or solicitation of an offer to buy or sell securities.

The Series 2009 Bonds are offered when, as and if issued, subject to the approval of their validity and enforceability by Kutak Rock LLP, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney and Kutak Rock LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. It is expected that the Series 2009 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about [_____], 2009.

J.P. MORGAN

DE LA ROSA & CO.

Date of Official Statement: _____, 2009

MATURITY SCHEDULE

\$ _____
 City of Long Beach, California
 Senior Airport Revenue Bonds
 Series 2009A

Maturity Date (<u>June 1</u>)	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ¹
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\$ _____ % Term Bond due June 1, 20 __, Yield ____ %; CUSIP¹: _____

\$ _____
 City of Long Beach, California
 Senior Airport Revenue Refunding Bonds
 Series 2009B

Maturity Date (<u>June 1</u>)	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ¹
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\$ _____
 City of Long Beach, California
 Senior Airport Revenue Bonds
 Series 2009C
 (Federally Taxable – Build America Bonds – Direct Payment to Issuer)

Maturity Date (<u>June 1</u>)	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ¹
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\$ _____ % Term Bond due June 1, 20 __, Yield ____ %; CUSIP¹: _____

¹ CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hills Companies, Inc. CUSIP numbers are provided only for the convenience of the reader. Neither the City nor the Underwriters take any responsibility for any changes to or errors in the list of CUSIP numbers.

**CITY OF LONG BEACH
LOS ANGELES COUNTY, CALIFORNIA**

MAYOR AND CITY COUNCIL

Bob Foster,
Mayor

Val Lerch,
Ninth District, Vice Mayor

Robert Garcia, First District	Gerrie Schipske, Fifth District
Suja Lowenthal, Second District	Dee Andrews, Sixth District
Gary DeLong, Third District	Tonia Reyes Uranga, Seventh District
Patrick O'Donnell, Fourth District	Rae Gabelich, Eighth District

CITY OFFICIALS

Patrick H. West	City Manager
Lori Ann Farrell	Director of Financial Management, CFO
David S. Nakamoto	City Treasurer
Robert E. Shannon	City Attorney
Laura L. Doud	City Auditor
Thomas M. Reeves	City Prosecutor
Larry Herrera	City Clerk

**LONG BEACH AIRPORT
SENIOR STAFF MEMBERS**

Mario Rodriguez	Airport Director
Christine Edwards	Operations Bureau Manager
Claudia Lewis	Administrative Officer
Sharon Diggs-Jackson	Public Affairs Officer
Juan Lopez-Rios	Leasing & Business Development Officer
Fred Peña	Superintendent Airport Operations
Nancy Trent	Facilities Management Officer
Lt. John Blood	Superintendent of Safety
Mario Fabila	Noise Compliance Officer

PROFESSIONAL SERVICES

Kutak Rock LLP
Bond Counsel and Disclosure Counsel
Public Financial Management, Inc.
Financial Advisor

The Bank of New York Mellon Trust Company, N.A.
Trustee

Ricondo & Associates, Inc.
Airport Consultant

Frasca & Associates, L.L.C.
Airport Financial Consultant

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 Series 2009 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized by the City, J.P. Morgan Securities Inc. or E. J. De La Rosa & Co., Inc. (collectively, the "Underwriters") to give any information or to make any representations other than as set forth herein and, if given or made; such other information or representation must not be relied upon as having been authorized by the City or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City or the Airport or the other matters described herein since the date hereof.

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

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

In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved. This Official Statement is submitted in connection with the sale of the Series 2009 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Series 2009 Bonds.

The Series 2009 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state. The Series 2009 Bonds have not been recommended by any federal or state securities commission or regulatory commission. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2009 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2009 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

relating to

[\$PAR1]*
City of Long Beach, California
Senior Airport Revenue Bonds
Series 2009A

[\$PAR2]*
City of Long Beach, California
Senior Airport Revenue Refunding Bonds
Series 2009B

[\$PAR3]*
City of Long Beach, California
Senior Airport Revenue Bonds
Series 2009C
(Federally Taxable – Build America Bonds –
Direct Payment to Issuer)

INTRODUCTION

General

This Official Statement, which includes the cover page and the Appendices hereto, furnishes information with respect to the [\$PAR1]* aggregate principal amount of City of Long Beach, California Senior Airport Revenue Bonds, Series 2009A (the “Series 2009A Bonds”), the [\$PAR2]* aggregate principal amount of City of Long Beach, California Senior Airport Revenue Refunding Bonds, Series 2009B (the “Series 2009B Bonds”) and the [\$PAR3]* aggregate principal amount of City of Long Beach, California Senior Airport Revenue Bonds, Series 2009C (the “Series 2009C Bonds,” and together with the Series 2009A Bonds and the Series 2009B Bonds, the “Series 2009 Bonds”). All capitalized terms used in this Official Statement unless otherwise defined herein will have the meanings ascribed to them in the Indenture defined below. See “APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE FIRST SUPPLEMENTAL SENIOR INDENTURE.”

The City and the Airport

The City of Long Beach, California (the “City”) is a charter city and municipal corporation organized and existing under the Constitution of the State of California (the “State”). The City is responsible for Long Beach Airport (the “Airport”) and all operations of the Airport, including all of its revenue-producing functions, facilities and properties (the “Enterprise”). The Airport, classified by the Federal Aviation Administration (the “FAA”) as a “small hub” airport, enplaned approximately 1.4 million passengers for the fiscal year ended September 30, 2008 (“Fiscal Year 2008”). In Fiscal Year 2008, approximately 96% of enplanements at the Airport represented origination and destination (“O&D”) passengers. According to data reported by Airports Council International (“ACI”), the Airport was ranked as the 75th busiest airport in the United States for calendar year 2008, based on total passengers. See “THE AIRPORT” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT” for information concerning aviation activity at the Airport.

Authorization

The Series 2009 Bonds are being issued by the City pursuant to the Charter of the City of Long Beach (the “Charter”) and Sections 3.52.110 *et seq.* of the Long Beach Municipal Code, the Master Senior Trust Indenture, to be dated as of [_____] 1, 2009 (the “Master Senior Indenture”) by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and

* Preliminary; subject to change.

the First Supplemental Senior Trust Indenture, to be dated as of [] 1, 2009 (the “First Supplemental Senior Indenture,” and together with the Master Senior Indenture, the “Indenture”) by and between the City and the Trustee.

Purpose

The City will use the proceeds of the Series 2009A Bonds to (i) finance and refinance the 2009 Project (as defined herein), (ii) reimburse the City for expenditures previously incurred by the City in connection with the 2009 Project, (iii) fund [a portion of] the interest on the Series 2009A Bonds and the Series 2009C Bonds through September 2011, (iv) current refund a portion of the outstanding Series A Subordinate Commercial Paper Notes (as defined herein), (v) fund the reserve requirement for the Series 2009A Bonds, (vi) [purchase a municipal bond insurance policy], and (vii) pay the costs of issuance of the Series 2009A Bonds.

The City will use the proceeds of the Series 2009B Bonds, together with other available funds, to (i) current refund all of the Airport’s outstanding 1993 Certificates (as defined herein), (ii) fund the reserve requirement for the Series 2009B Bonds, (iii) [purchase a municipal bond insurance policy], and (iv) pay the costs of issuance of the Series 2009B Bonds.

The City will use the proceeds of the Series 2009C Bonds to (i) finance and refinance the 2009 Project, (ii) reimburse the City for expenditures previously incurred by the City in connection with the 2009 Project, (iii) fund the reserve requirement for the Series 2009C Bonds, (iv) [purchase a municipal bond insurance policy], and (v) pay the costs of issuance of the Series 2009C Bonds.

See “PLAN OF FINANCE,” “THE 2009 PROJECT” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Security for the Series 2009 Bonds

The Series 2009 Bonds are payable solely from and secured solely by a pledge of and lien upon the Net Revenues (as defined herein) and such other amounts, funds and accounts established or continued by the Master Senior Indenture. The City has covenanted in the Master Senior Indenture that no additional bonds or other securities will be issued with a lien on or security interest granted in Net Revenues senior to the lien of the Series 2009 Bonds. At the time of this Official Statement, there are no outstanding obligations under the Master Senior Indenture issued on a parity basis with the Series 2009 Bonds. The Series 2009 Bonds are secured by a pledge of and lien on Net Revenues on a parity with any additional bonds issued on a parity with respect to Net Revenues pursuant to the terms of the Master Senior Indenture. For purposes of this Official Statement, “Senior Bonds” means the Series 2009 Bonds and any additional bonds issued pursuant to the terms of the Master Senior Indenture.

Designation of the Series 2009C Bonds as Build America Bonds

The City currently intends to irrevocably elect to treat the Series 2009C Bonds as “Build America Bonds” for purposes of the Internal Revenue Code of 1986, as amended (the “Code”). Subject to the City’s compliance with certain requirements under the Code, the City expects to receive amounts payable by the federal government in connection with the issuance of the Series 2009C Bonds in lieu of any credit otherwise available to the owners of the Series 2009C Bonds (“Federal Direct Payments”). Any Federal Direct Payments received by the City are not included in Revenues and have not been pledged to the payment of debt service on the Series 2009 Bonds. See “DESCRIPTION OF THE SERIES 2009 BONDS—Designation of the Series 2009C Bonds as Build America Bonds,” “CERTAIN

INVESTMENT CONSIDERATIONS—Considerations Regarding Series 2009C Bonds (“Build America Bonds”) and “TAX MATTERS.”

Investment Considerations

The purchase and ownership of the Series 2009 Bonds involve investment risks. Prospective purchasers of the Series 2009 Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2009 Bonds, see “CERTAIN INVESTMENT CONSIDERATIONS.”

JetBlue Airways

JetBlue Airways (“JetBlue”) initiated its service from the Airport in Fiscal Year 2001, and since then has become the dominant air carrier at the Airport. In Fiscal Year 2008, JetBlue accounted for approximately 76.5% of the Airport’s enplaned passengers. See “THE AVIATION INDUSTRY AND THE AIRLINES—JetBlue Airways,” “CERTAIN INVESTMENT CONSIDERATIONS—Dominance of JetBlue Airways at the Airport” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

Continuing Disclosure

The City has covenanted for the benefit of the owners of the Series 2009 Bonds to provide annually certain financial information and operating data concerning the Enterprise, the Airport and certain other obligated persons, including JetBlue, and will provide notice of certain enumerated events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (the “EMMA System”) or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 of the Securities Exchange Commission. See “CONTINUING DISCLOSURE” and “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Report of the Airport Consultant

Included as Appendix A to this Official Statement is a Report of the Airport Consultant dated _____, 2009 (the “Airport Consultant’s Report”), prepared by Ricondo & Associates, Inc. (the “Airport Consultant”), in conjunction with the issuance of the Series 2009 Bonds. The Airport Consultant’s Report includes, among other things, a description of the underlying economic base of the Airport’s Air Trade Area (as defined in the Airport Consultant’s Report); a description of historical air traffic activity at the Airport; the Airport Consultant’s projections for air traffic activity at the Airport through 2015 and a description of the assumptions on which such projections of debt service, expenses and revenues through 2015 and a description of the assumptions on which such projections were based. No assurances can be given that the projections and expectations discussed in the Airport Consultant’s Report will be achieved. The Airport Consultant’s Report will not be revised to reflect the final terms of the Series 2009 Bonds. The Airport Consultant’s Report is an integral part of this Official Statement and should be read in its entirety. See “–Forward Looking Statements” and “CERTAIN INVESTMENT CONSIDERATIONS—Report of the Airport Consultant” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

Forward-Looking Statements

The statements contained in this Official Statement and in the Appendices hereto that are not purely historical, are forward-looking statements, including statements regarding the City’s expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “project,” “forecast,” “will likely

result,” “are expected to,” “will continue,” “is anticipated,” “intend” or other similar words. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the Airport’s actual results likely will differ, and could differ materially, from those in such forward-looking statements.

The forward-looking statements herein are based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including airlines, customers, suppliers and competitors, among others, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Additional Information

Brief descriptions of the Series 2009 Bonds, the Enterprise, the Airport, the Master Senior Indenture, the First Supplemental Senior Indenture and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. Information contained herein has been obtained from officers, employees and records of the City and from other sources believed to be reliable. The information herein is 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 Enterprise or the Airport since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City and purchasers or owners of any of the Series 2009 Bonds. The City maintains a website at <http://www.longbeach.gov/>. Information on such website is not part of this Official Statement nor has such information been incorporated by reference herein, and such website should not be relied upon in deciding whether to invest in the Series 2009 Bonds.

PLAN OF FINANCE

General

Series 2009A Bonds. The Series 2009A Bonds are being issued to (i) finance and refinance the 2009 Project, (ii) reimburse the City for expenditures previously incurred by the City in connection with the 2009 Project, (iii) fund [a portion of] the interest on the Series 2009A Bonds and the Series 2009C Bonds through September 2011, (iv) current refund a portion of the outstanding Series A Subordinate Commercial Paper Notes (as defined herein), (v) fund the reserve requirement for the Series 2009A Bonds, (vi) [purchase a municipal bond insurance policy], and (vii) pay the costs of issuance of the Series 2009A Bonds.

Series 2009B Bonds. The Series 2009B Bonds are being issued to (i) current refund all of the Airport’s 1993 Certificates, (ii) fund the reserve requirement for the Series 2009B Bonds, (iii) [purchase a municipal bond insurance policy], and (iv) pay the costs of issuance of the Series 2009B Bonds.

Series 2009C Bonds. The Series 2009C Bonds are being issued to (i) finance and refinance the 2009 Project, (ii) reimburse the City for expenditures previously incurred by the City in connection with the 2009 Project, (iii) fund the reserve requirement for the Series 2009C Bonds, (iv) [purchase a municipal bond insurance policy], and (v) pay the costs of issuance of the Series 2009C Bonds.

The 2009 Project

In Fiscal Year 2003, the City approved costs for the design of a new parking structure (the “Structure”) at the Airport. The Structure, designed for construction in two phases based on projected passenger growth and actual need, will provide for 3,200 parking spaces when fully built. The Structure, measuring 1.2 million square feet, will be a four-story building providing for parking on five levels and will include an elevator tower, security systems, fire sprinklers and offices for parking management personnel.

A portion of the proceeds from the Series 2009A Bonds and the Series 2009C Bonds will finance the construction of Phase I of the Structure (the “2009 Project”). Measuring approximately 725,000 square feet, the 2009 Project will provide approximately 1,990 parking spaces on five levels, each measuring approximately 145,000 square feet. The 2009 Project will include the elevator tower and offices for parking management personnel. The 2009 Project will also provide for a 239 space surface parking lot on the footprint of the future site of Phase II.

Construction of the 2009 Project will consist of roadway relocations, utility relocations and construction of the facility. The City entered into a Design-Build Contract with ARB, Inc. for the design and construction of the Structure. Construction on the 2009 Project is expected to commence in December 2009 with completion expected in August 2011.

Plan of Refunding

The City previously caused to be executed and delivered its \$16,815,000 aggregate principal amount of Certificates of Participation (1993 Airport Refunding Project) (the “1993 Certificates”) on July 29, 1993 for the purpose of defeasing and advance refunding \$14,200,000 original principal amount of the City’s Certificates of Participation (1991 Airport Improvements Project), dated June 1, 1991 (the “1991 Certificates”). The 1991 Certificates were executed and delivered to finance the acquisition, construction and installation of various improvements to certain airport facilities owned and operated by the City.

The City intends to refund all of the currently outstanding 1993 Certificates (the “Refunded Obligations”) identified in the table below:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal Redeemed</u>	<u>Redemption Date</u> ¹	<u>CUSIP Number</u> ²
2016	\$7,480,000		

¹ Preliminary; subject to change. The 1993 Certificates will be redeemed at a redemption price of par plus accrued interest.

² CUSIP numbers are provided only for the convenience of the reader. Neither the City nor the Underwriters takes any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in this list of CUSIP numbers.

The net proceeds of the Series 2009B Bonds, together with moneys to be released from the reserve fund and the certificate payment fund for the 1993 Certificates, will be deposited with U.S. Bank National Association, as paying agent and escrow agent (the “Escrow Agent”), and held in an escrow fund (the “Escrow Fund”) created under the terms of an escrow agreement dated the date of delivery of

the Series 2009 Bonds (the “Escrow Agreement”), by and between the City and the Escrow Agent. Proceeds deposited into the Escrow Fund will be invested in direct, noncallable obligations of the United States Treasury (the “Federal Securities”) or held uninvested in cash, and such amounts, together with the earnings thereon, if any, will be used to pay all principal due on the Refunded Obligations on [_____], 2009.

Grant Thornton LLP (the “Verification Agent”) will verify that the Federal Securities, together with the earnings thereon, and the uninvested cash will be sufficient to pay all interest due on the Refunded Obligations on [_____], 2009 and to pay all principal and interest due on the Refunded Obligations on [_____], 2009. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of funds realized upon the sale of the Series 2009 Bonds and the implementation of the Plan of Finance described above:

	<u>Series</u> <u>2009A Bonds</u>	<u>Series</u> <u>2009B Bonds</u>	<u>Series</u> <u>2009C Bonds</u>	<u>Total</u>
<i>Sources of Funds</i>				
Principal Amount				
Net Original Issue [Premium/Discount]				
[Funds released from Certificate Payment Fund & Reserve Fund for 1993 the Certificates]				
<i>Total Sources</i>				
<i>Uses of Funds</i>				
Deposit to Construction Fund				
Deposit to Interest Account of the Senior Debt Service Fund				
Deposit to Reserve Account of the Senior Reserve Fund				
Deposit to Escrow Fund				
Costs of Issuance ¹				
<i>Total Uses</i>				

¹ Includes Underwriters’ discount, fees of Trustee, [bond insurer], Financial Advisor, Airport Financial Consultant, Escrow Agent, Verification Agent, Bond Counsel, printing expenses and miscellaneous fees and expenses.

DESCRIPTION OF THE SERIES 2009 BONDS

General

The Series 2009 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2009 Bonds will be dated their date of delivery, and will bear interest from that date payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2010 (each an “Interest Payment Date”). Interest due and payable on the Series 2009 Bonds on any Interest Payment Date will be paid to the person who is the registered owner as of the close of business on the 15th day of the calendar month next preceding such Interest Payment Date. Each Series 2009 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2009 Bond will bear interest from such date of authentication, or unless such date of authentication is after a

Record Date and before the next succeeding Interest Payment Date, in which event such Series 2009 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is prior to May 15, 2010, in which event such Series 2009 Bond will bear interest from its date of initial delivery. If interest on the Series 2009 Bonds is in default, Series 2009 Bonds issued in exchange for Series 2009 Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Series 2009 Bonds surrendered.

The Series 2009 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Series 2009 Bonds will be issued in fully registered form and, 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”). DTC will act as securities depository for the Series 2009 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2009 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2009 Bonds, references herein to the holders or registered owners means Cede & Co. and does not mean the Beneficial Owners of the Series 2009 Bonds.

So long as Cede & Co. is the registered owner of the Series 2009 Bonds, principal of and interest on the Series 2009 Bonds are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.”

Designation of the Series 2009C Bonds as Build America Bonds

The City currently intends to irrevocably elect to treat the Series 2009C Bonds as “Build America Bonds” for purposes of the Code. Subject to the City’s compliance with certain requirements under the Code, the City expects to receive Federal Direct Payments. Any Federal Direct Payments received by the City are not included in Revenues and have not been pledged to the payment of debt service on the Series 2009 Bonds. See “CERTAIN INVESTMENT CONSIDERATIONS—Considerations Regarding Series 2009C Bonds (“Build America Bonds”)” and “TAX MATTERS.”

Redemption Provisions

Optional Redemption

Series 2009A Bonds. The Series 2009A Bonds due on or before June 1, 20[], are not subject to optional redemption prior to maturity. The Series 2009A Bonds due on or after June 1, 20[] are redeemable at the option of the City on or after June 1, 20[], in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to [100%] of the principal amount of the Series 2009A Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Series 2009B Bonds. The Series 2009B Bonds are not subject to optional redemption prior to maturity.

Series 2009C Bonds—Optional Redemption at Par. Before June 1, 20[], the Series 2009C Bonds are subject to optional redemption as provided in “—Series 2009C Bonds—Optional Redemption with Make-Whole Payment” below. On or after June 1, 20[], the Series 2009C Bonds are redeemable at the option of the City in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to [100%] of the principal amount of the Series 2009C Bonds to be redeemed plus accrued interest to the date of redemption, without premium.

Series 2009C Bonds—Optional Redemption with Make-Whole Payment. Before June 1, 20[], the Series 2009C Bonds will be subject to redemption prior to maturity at the option of the City, in whole or in part, on any Business Day, at the “Make-Whole Redemption Price.” The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2009C Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2009C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009C Bonds are to be redeemed, discounted to the date on which the Series 2009C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (defined below) plus [] basis points, plus, in each case, accrued and unpaid interest on the Series 2009C Bonds to be redeemed on the redemption date.

For the purpose of determining the Make-Whole Redemption Price, the following definitions apply:

(a) “Treasury Rate” means, with respect to any redemption for a particular Series 2009C Bond, the rate per annum truncated to the fifth decimal, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

(b) “Comparable Treasury Issue” means, with respect to any redemption date for a particular Series 2009C Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series 2009C Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2009C Bonds to be redeemed.

(c) “Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2009C Bond:

(i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation Date; or

(ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

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

(e) “Reference Treasury Dealer” means each of the four firms, specified by the City from time to time, that are primary United States Government securities dealers in the City of New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

(f) “Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2009C Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption date.

(g) “Valuation Date” means the fifth Business Day preceding the redemption date.

Extraordinary Optional Redemption of the Series 2009C Bonds. Before June 1, 20[], the Series 2009C Bonds are redeemable at the option of the City, in whole or in part at any time, from any moneys that may be provided for such purpose, upon the occurrence of an Extraordinary Event (as defined below), and at a redemption price equal to the greater of: (i) 100% of the principal amount of the Series 2009C Bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2009C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009C Bonds are to be redeemed, discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus [] basis points; plus, in each case, accrued and unpaid interest on the Series 2009C Bonds to be redeemed to the redemption date.

An “Extraordinary Event” shall have occurred with respect to the Series 2009C Bonds if legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the City, would be to suspend, reduce or terminate the 35% Federal Direct Payments from the United States Treasury to the City with respect to the Series 2009C Bonds, or to state or local government issuers generally with respect to obligations of the general character of the Series 2009C Bonds, pursuant to Sections 54AA or 6431 of the Code (the “Subsidy Payments”); provided, that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the City to comply with the requirements under the Code to receive such Subsidy Payments.

Mandatory Sinking Fund Redemption.

Series 2009A Bonds. The Series 2009A Bonds with a stated maturity date of June 1, 20[] are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. The Series 2009A Bonds with a stated maturity date of June 1, 20[] will be redeemed on the following dates and in the following principal amounts:

<u>Redemption Date</u>	<u>Principal Amount</u>
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Final Maturity.

On or before the 45 days prior to any mandatory sinking fund redemption date for the Series 2009A Bonds subject to mandatory sinking fund redemption (the “Series 2009A Term Bonds”), the

Trustee will proceed to select for redemption (by lot in such manner as the Trustee may determine), from all applicable Outstanding Series 2009A Term Bonds, an aggregate principal amount of such Series 2009A Term Bonds equal to the amount of the applicable Series 2009A Term Bonds redeemable with the required sinking fund payments, and will call such Series 2009A Term Bonds or portions thereof for redemption and give notice of such call as described under “—Notice of Prior Redemption” below.

At the option of the City, to be exercised by delivery of a written certificate to the Trustee not less than 60 days next preceding any mandatory sinking fund redemption date, it may (i) deliver to the Trustee for cancellation Series 2009A Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof) purchased in the open market or otherwise acquired by the City, or (ii) specify a principal amount of such Series 2009A Term Bonds or portions thereof (\$5,000 or any integral multiple thereof) which prior to said date have been purchased or redeemed (otherwise than through the operation of the sinking fund) and previously cancelled by the Trustee at the request of the City and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each Series 2009A Term Bond or portion thereof so purchased or redeemed and delivered to the Trustee for cancellation will be credited by the Trustee at 100% of the principal amount thereof against the obligation of the City to pay the principal of such Series 2009A Term Bond on such mandatory sinking fund redemption date.

Series 2009C Bonds. The Series 2009C Bonds with a stated maturity date of June 1, 20[] are subject to mandatory sinking fund redemption prior to maturity in part (in accordance with the procedures set forth under “—Selection of Series 2009 Bonds; Partial Redemption” below) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium. The Series 2009C Bonds with a stated maturity date of June 1, 20[] will be redeemed on the following dates and in the following principal amounts:

<u>Redemption Date</u>	<u>Principal Amount</u>
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* Final Maturity.

In the event that a portion, but not all of the Series 2009C Bonds maturing on June 1, 20[] (the “Series 2009C Term Bonds”) are redeemed pursuant to optional redemption or extraordinary optional redemption, then the principal amount of any remaining mandatory sinking fund redemptions applicable to the applicable Series 2009C Term Bonds will be proportionally reduced (subject to the Trustee making such adjustments as it deems necessary to be able to effect future redemptions of the Series 2009C Term Bonds).

At the option of the City, to be exercised by delivery of a written certificate to the Trustee not less than 60 days next preceding any mandatory sinking fund redemption date, it may (i) deliver to the Trustee for cancellation Series 2009C Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof) purchased in the open market or otherwise acquired by the City, or (ii) specify a principal amount of such Series 2009C Term Bonds or portions thereof (\$5,000 or any integral multiple thereof) which prior to said date have been purchased or redeemed (otherwise than through the operation of the sinking fund) and previously cancelled by the Trustee at the request of the City and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each Series 2009C Term Bond or portion thereof so purchased or redeemed and delivered to the Trustee for cancellation will be credited by the Trustee at 100% of the principal amount thereof against the obligation of the City to pay the principal of such Series 2009C Term Bond on such mandatory sinking fund redemption date.

Notices of Redemption. If the City wishes that any Series 2009 Bonds be redeemed, the City will notify the Trustee of the applicable provision, the redemption date, series, maturity date, interest rate, CUSIP number and the principal amount of Series 2009 Bonds to be redeemed and other necessary particulars. The City will give notice to the Trustee at least 35 days before the redemption date, provided that the Trustee may, at its option, waive such notice or accept notice at a later date. The Trustee will give notice of redemption, in the name of the City, to Bondholders affected by redemption at least 30 days but not more than 60 days before each redemption date, send such notice of redemption by first class mail (or with respect to Series 2009 Bonds held by DTC by an express delivery service for delivery on the next following Business Day) to each Bondholder of a Series 2009 Bond to be redeemed. Each such notice will be sent to the Bondholder's registered address.

Each notice of redemption will specify the Series 2009 Bonds to be redeemed, the date of issue and the maturity date thereof, if less than all Series 2009 Bonds of a maturity are called for redemption the numbers of the Series 2009 Bonds and the CUSIP number assigned to the Series 2009 Bonds to be redeemed, the principal amount to be redeemed and the interest rate applicable to the Series 2009 Bonds to be redeemed, the date fixed for redemption, the redemption price (or the formula that will be used to calculate the redemption price on the redemption date), the place or places of payment, the Trustee's name, that payment will be made upon presentation and surrender of the Series 2009 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

The City may provide that, if at the time of mailing of notice of an optional redemption there will not have been deposited with the Trustee moneys sufficient to redeem all the Series 2009 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be cancelled and on such cancellation date notice will be mailed to the Bondholders of such Series 2009 Bonds to be redeemed in the manner provided in this Section.

Failure to give any required notice of redemption as to any particular Series 2009 Bonds will not affect the validity of the call for redemption of any Series 2009 Bonds in respect of which no failure occurs. Any notice sent as provided herein will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2009 Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. In the event that funds are deposited with the Trustee sufficient for redemption, interest on the Series 2009 Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

Effect of Redemption. On the date so designated for redemption, notice having been given as aforesaid and sufficient moneys for payment of the redemption price being held in trust by the Trustee to pay the redemption price, interest on such Series 2009 Bonds will cease to accrue from and after such redemption date, such Series 2009 Bonds will cease to be entitled to any lien, benefit or security under the Indenture and the Bondholders of such Series 2009 Bonds will have no rights in respect thereof except to receive payment of the redemption price.

Series 2009 Bonds called for redemption and for the payment of the redemption price of which moneys will be held in trust for the Bondholders of the Series 2009 Bonds to be redeemed, all as provided in the First Supplemental Senior Indenture, will not be deemed to be Outstanding under the provisions of the Indenture.

Selection of Series 2009 Bonds for Redemption; Partial Redemption.

Series 2009A Bonds. The Series 2009A Bonds are subject to redemption in such order of maturity (except the Series 2009A Bonds redeemed under “—Mandatory Sinking Fund Redemption” above) as the City may direct and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2009A Bonds) deems appropriate, within the Series, maturity and interest rate.

Upon surrender of a Series 2009A Bond to be redeemed, in part only, the Trustee will authenticate for the Bondholder a new Series 2009A Bond or Series 2009A Bonds of the same maturity and Series equal in principal amount to the unredeemed portion of the Series 2009A Bond surrendered.

Series 2009C Bonds. If less than all of the Series 2009C Bonds of any maturity are to be redeemed prior to maturity, then (i) if the Series 2009C Bonds are in book-entry form at the time of such redemption, the Trustee will instruct DTC to instruct the DTC Participants to select the specific Series 2009C Bonds for redemption pro rata, and neither the City nor the Trustee will have any responsibility to ensure that DTC or the DTC Participants properly select such Series 2009C Bonds for redemption, and (ii) if the Series 2009C Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the Trustee will select the specific Series 2009C Bonds for redemption pro rata. The portion of any registered Series 2009C Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof. The Trustee will select such portions of Series 2009C Bonds to be redeemed in such manner as the Trustee in its discretion may deem to be fair and appropriate.

Upon surrender of a Series 2009C Bond to be redeemed, in part only, the Trustee will authenticate for the Bondholder a new Series 2009C Bond or Series 2009C Bonds of the same maturity and Series equal in principal amount to the unredeemed portion of the Series 2009C Bond surrendered.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS

Following is a summary of certain provisions of the Indenture, including, among other things, sections of the Indenture detailing the pledge of Net Revenues, the rate covenant for the Series 2009 Bonds, the funding and utilization of the Reserve Account and the issuance of Senior Bonds. These summaries are not comprehensive or definitive. See “APPENDIX C” for a more complete description of these provisions of the Indenture.

Pledge of Net Revenues

The Series 2009 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of Net Revenues derived by the City from the operations of the Enterprise, and such other amounts, funds and accounts pledged therefor under the Master Senior Indenture, as further described herein.

The Master Senior Indenture generally defines “*Net Revenues*” to mean, for any given period, the Revenues (as defined below) for such period, less the Maintenance and Operation Costs (as defined below) for such period.

The Master Senior Indenture generally defines “*Revenues*” to mean, except to the extent specifically excluded therefrom, all income, receipts, earnings and revenues received by the City from the operation and ownership of the Enterprise, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees,

rentals, charges and other payments made to or owed to the City for the use or availability of the Enterprise, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the City, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the City or any successor thereto from the possession, management, charge, superintendence and control of the Enterprise and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the City receives payments which are attributable to the Enterprise or activities or undertakings related thereto. Additionally, "Revenues" also includes amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earnings allowed to be pledged by the terms of a Supplemental Senior Indenture to fund the Construction Fund) from the investment of amounts held in the Enterprise Fund, any Construction Fund, any Senior Debt Service Fund (except Capitalized Interest on deposit therein), the Senior Reserve Fund, any Senior Debt Service Reserve Fund and such additional revenues, if any, as are designated as "Revenues" under the terms of any Supplemental Senior Indenture. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any amounts received by the City from the imposition of ad valorem taxes, (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in this definition of "Revenues" which are restricted by their terms to purposes inconsistent with the payment of debt service on the Series 2009 Bonds, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Series 2009 Bonds (except to the extent Net Proceeds are utilized to pay Maintenance and Operation Costs), and (iv) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in the Master Senior Indenture). In addition, the following, including any investment earnings thereon, are specifically excluded from "Revenues," unless designated as "Revenues" under the terms of a Supplemental Senior Indenture: (A) any Swap Termination Payments paid to the City pursuant to a Qualified Swap, (B) Facilities Construction Credits, (C) Passenger Facility Charges ("PFCs") unless otherwise so pledged under the terms of any Supplemental Senior Indenture, (D) Customer Facility Charges unless otherwise so pledged under the terms of any Supplemental Senior Indenture, (E) Federal Direct Payments unless otherwise so pledged under the terms of any Supplemental Senior Indenture, (F) Released Revenues, (G) subject to (ii) in the previous sentence, grants and other charges authorized on or after the date of the Master Senior Indenture by federal and/or State laws or regulations to be assessed to fund specific programs at the Enterprise, (H) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Senior Bonds, (I) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code and (J) Capitalized Interest. Further, interest earnings or other investment earnings on any Construction Fund established by any Supplemental Senior Indenture are specifically excluded from "Revenues," unless otherwise provided for in such Supplemental Senior Indenture.

The Master Senior Indenture generally defines "*Maintenance and Operation Costs*" to mean, reasonable and necessary costs paid or incurred by the City for maintaining and operating the Enterprise, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, assessments for public improvements and including all other reasonable and necessary costs of the City or charges required to be paid by the City in order to comply with the terms hereof; but excluding in all cases payments in lieu of taxes to be paid by the Enterprise to the City, depreciation, replacement and obsolescence charges or reserves therefor, any principal payment in respect of capital leases or indebtedness including the Senior Bonds, amortization or intangibles and any Maintenance and Operation Costs payable from moneys other than Revenues.

The City currently intends to irrevocably elect to treat the Series 2009C Bonds as “Build America Bonds” for purposes of the Code. Subject to the City’s compliance with certain requirements under the Code, the City expects to Federal Direct Payments. Any Federal Direct Payments received by the City are not included in Revenues and have not been pledged to the payment of debt service on the Series 2009 Bonds. See “DESCRIPTION OF THE SERIES 2009 BONDS – Designation of the Series 2009C Bonds as Build America Bonds” “CERTAIN INVESTMENT CONSIDERATIONS—Considerations Regarding Series 2009C Bonds (“Build America Bonds”)” and “TAX MATTERS.”

THE SERIES 2009 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF NET REVENUES DERIVED BY THE CITY FROM THE OPERATIONS OF THE ENTERPRISE, AND SUCH OTHER AMOUNTS, FUNDS AND ACCOUNTS PLEDGED UNDER THE INDENTURE. NONE OF THE PROPERTIES OF THE ENTERPRISE ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN (EXCEPT FOR THE LIEN CREATED BY THE INDENTURE ON THE NET REVENUES) FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2009 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS.

Flow of Funds

Pursuant to the Master Senior Indenture, the City covenants that all Revenues will be received by the City in trust thereunder and will be deposited when and as received in the Enterprise Fund maintained by the City Treasurer, and all moneys in the Enterprise Fund will be applied and used as provided therein.

As long as there are any Outstanding Senior Bonds, all Revenues will be deposited in the Enterprise Fund and will be set aside for the payment of the following amounts or deposited or transferred to the following funds and accounts in the order listed:

FIRST, the City will pay all Maintenance and Operations Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs, the payment of which is not then immediately required) from the Enterprise Fund as they become due and payable;

SECOND, a sufficient amount of Revenues will be transferred or caused to be transferred by the City, without priority and on an equal basis, except as to timing of payment, (A) to the Trustee for deposit in the respective Senior Debt Service Funds in the amounts, at the times and in the manner provided in the Master Senior Indenture, to provide for the payment of the principal of and interest to become due on the Outstanding Senior Bonds and (B) such other parties for the payment of amounts, other than principal and interest, due on the Outstanding Senior Bonds;

THIRD, a sufficient amount of Revenues will be transferred or caused to be transferred by the City, without priority and on an equal basis, except as to timing of payment to the Senior Reserve Fund and the Senior Debt Service Reserve Funds, if any, at the times and in such amounts as specified in the Master Senior Indenture and any Supplemental Senior Indenture to be used in the manner provided therein;

FOURTH, a sufficient amount of Revenues will be transferred or caused to be transferred by the City to the Subordinate Trustee or such other parties such amounts and, at such times, as are sufficient to pay the debt service on any indebtedness, including Subordinated Obligations, issued

pursuant to the terms of a Subordinate Indenture or other agreement, but only to the extent (except as otherwise provided herein) a specific pledge of Net Revenues has been made in writing to the payment of debt service on such indebtedness;

FIFTH, a sufficient amount of Revenues will be transferred or caused to be transferred by the City to the Subordinate Trustee or such other parties such amounts and, at such times, as are sufficient to pay any reserve requirement for debt service for any indebtedness, including Subordinate Obligations, issued pursuant to the terms of the Subordinate Indenture, but only to the extent a specific pledge of Net Revenues has been made in writing to the payment of any such debt service reserve requirement on such indebtedness; and

SIXTH, to the payment of the amounts required to be deposited in the Maintenance and Operating Reserve Fund as determined by the City pursuant to the Master Senior Indenture.

All moneys and investments on deposit in the Enterprise Fund and not on deposit in any of the funds or accounts or used for any of the purposes provided for above, will remain on deposit in the Enterprise Fund and used by the City for any lawful purpose.

Rate Covenant

Under the Master Senior Indenture, the City covenants that while any of the Series 2009 Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the City), it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Enterprise and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

- (a) the Annual Debt Service on any Outstanding Senior Bonds required to be funded by the City in such Fiscal Year as required by this Master Senior Indenture or any Supplemental Senior Indenture with respect to the Outstanding Senior Bonds;
- (b) the required deposits to the Senior Reserve Fund or any Senior Debt Service Reserve Fund which may be established by a Supplemental Senior Indenture;
- (c) the reimbursement or repayment of other amounts owed to any Credit Provider or Liquidity Provider as required by a Supplemental Senior Indenture;
- (d) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Senior Bonds, including Subordinate Obligations; and
- (e) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations.

The City will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Enterprise and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with any Transfer, will be equal to at least 125% of Annual Debt Service on the Outstanding Senior Bonds in such Fiscal Year. For purposes of this paragraph, the amount of any Transfer taken into account will not exceed 25% of the Annual Debt Service on the Outstanding Senior Bonds in such Fiscal Year.

If Net Revenues, together with any Transfer (as applied in accordance with the paragraph above), in any Fiscal Year are less than the amount specified above, the City will retain and direct a Consultant to make recommendations as to the revision of the operations of the Enterprise and its schedule of rentals, rates, tolls, fees and charges for the use of the Enterprise and for services rendered by the City in connection with the Enterprise, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the City will take all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as may be necessary to produce Net Revenues as described above in the next succeeding Fiscal Year.

In the event that Net Revenues for any Fiscal Year are less than the amounts described above, but the City promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as described in the preceding paragraph, such deficiency in Net Revenues will not constitute an Event of Default under the Master Senior Indenture. Nevertheless, if after taking the measures required by the preceding paragraph to revise the schedule of rentals, rates, tolls, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the City for such Fiscal Year) are less than the amounts described above, such deficiency in Net Revenues will constitute an Event of Default under the Master Senior Indenture.

Senior Reserve Fund

The Senior Reserve Fund (the "Senior Reserve Fund") is established and maintained by the Trustee pursuant to the Master Senior Indenture. Pursuant to the First Supplemental Senior Indenture, the City elects to have the Series 2009 Bonds participate in the Senior Reserve Fund. Upon the issuance of the Series 2009 Bonds, an amount must be deposited in the Senior Reserve Fund so that, together with any Reserve Fund Surety Policy provided pursuant to the Master Senior Indenture, the amount on deposit in the Senior Reserve Fund will be equal to the Reserve Requirement. The Reserve Requirement is equal to the lesser of (a) Maximum Aggregate Annual Debt Service For Reserve Requirement for all Series of Senior Bonds participating in the Senior Reserve Fund or for all Series of Senior Bonds participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be, (b) 10% of the principal amount of the Senior Bonds that have been issued and are participating in the Senior Reserve Fund or the Senior Bonds that have been issued and are participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be, less the amount of original issue discount with respect to any Bond if such original issue discount exceeded 2% on such Bond at the time of its original sale, and (c) 125% of the average Aggregate Annual Debt Service For Reserve Requirement for all Series of Senior Bonds participating in the Senior Reserve Fund or for all Series of Senior Bonds participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be. Upon issuance of the Series 2009 Bonds, the Reserve Requirement will be met by depositing a portion of the proceeds of the Series 2009 Bonds into the Senior Reserve Fund. The Reserve Requirement with respect to the Senior Reserve Fund upon the issuance of the Series 2009 Bonds will be equal to \$_____.

At the option of the City, at the time of issuance of any Senior Bonds, the City may elect to have such Senior Bonds also participate in the Senior Reserve Fund. In the event the City issues any Senior Bonds pursuant to a Supplemental Senior Indenture under which the City elects to have such Senior Bonds participate in the Senior Reserve Fund, the City is required to deposit an amount into the Senior Reserve Fund sufficient to cause the amount on deposit in the Senior Reserve Fund to equal the Reserve Requirement for the Series 2009 Bonds and the Senior Bonds participating in the Senior Reserve Fund.

A reserve fund surety policy (“Reserve Fund Surety Policy”) will be acceptable in lieu of a deposit of cash or securities into the Senior Reserve Fund, or may be substituted for amounts on deposit in the Senior Reserve Fund, only if at the time of such deposit (i) such Reserve Fund Surety Policy extends to the maturity of the Series of Senior Bonds of the longest maturity then Outstanding and participating in the Senior Reserve Fund, or the City has agreed, by Supplemental Senior Indenture, that the City will replace such Reserve Fund Surety Policy prior to its expiration with another Reserve Fund Surety Policy which will have no adverse effect on the ratings, if any, then in effect on the Senior Bonds participating in the Senior Reserve Fund, or with cash and (ii) the face amount of the Reserve Fund Surety Policy, together with amounts on deposit in the Senior Reserve Fund, including the face amount of any other Reserve Fund Surety Policy, is at least equal to the Reserve Requirement with respect to the Senior Bonds participating in the Senior Reserve Fund.

Moneys or investments held in the Senior Reserve Fund will be used for the purpose of paying principal of and interest on the Series 2009 Bonds and any other Senior Bonds participating in the Senior Reserve Fund on a basis *pari passu* with all Bonds then participating in the Senior Reserve Fund. If, on any Payment Date, the amounts in the Senior Debt Service Fund for the Series 2009 Bonds and any other Senior Bonds participating in the Senior Reserve Fund available therefor are insufficient to pay in full the amount then due on such Senior Bonds, moneys held in the Senior Reserve Fund will be used for the payment of principal of and interest thereon.

All money remaining in the Senior Reserve Fund on the final Payment Date of the Senior Bonds participating in the Senior Reserve Fund in excess of the amount required to make provisions for the payment in full of the interest and/or the principal of such Senior Bonds will be transferred to the City for deposit in the Enterprise Fund.

Additional Bonds

Senior Bonds may be issued under the Master Senior Indenture on a parity with the Series 2009 Bonds, provided, among other things, that there is first delivered to the Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the Senior Bonds being issued and the date of delivery of such Senior Bonds (both dates inclusive), prepared by an Authorized City Representative showing the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Senior Bonds or preceding the first issuance of the proposed Program Bonds were at least equal to 125% of Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds, Unissued Program Bonds and the proposed Series of Senior Bonds, calculated as if the proposed Series of Senior Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding; or

(b) a certificate, dated as of a date between the date of pricing of the Senior Bonds being issued and the date of delivery of such Senior Bonds (both dates inclusive), prepared by a Consultant showing that:

(i) the Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Senior Bonds or the establishment of a Program, were at least equal to 125% of the sum of the Aggregate Annual Debt Service due and payable with respect to all Outstanding Senior Bonds (not including the proposed Series of Senior Bonds or the proposed Program Bonds) for such Fiscal Year or other applicable period; and

(ii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Senior Bonds during which no interest on such Series of Senior Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Senior Bonds, or (B) the third full Fiscal Year during which no interest on such Series of Senior Bonds is expected to be paid from the proceeds thereof, the estimated Net Revenues for each such Fiscal Year, will be at least equal to 125% of the Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Senior Bonds, Unissued Program Bonds and the proposed Series of Senior Bonds (calculated as if the proposed Series of Senior Bonds and the full Authorized Amount of such proposed Program Bonds (as applicable) were then Outstanding).

For purposes of subsection (b)(ii) above, in estimating Net Revenues, the Consultant may take into account (1) Revenues from Projects or Airport Facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the City and will be in effect during the period for which the estimates are provided, (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Maintenance and Operation Costs, the Consultant will use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Maintenance and Operation Costs, (ii) Maintenance and Operation Costs associated with the Projects and any other new Airport Facilities, and (iii) such other factors, including inflation and changing operations or policies of the City, as the Consultant believes to be appropriate. The Consultant will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and will also set forth the calculations of Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants or the Authorized City Representative may rely upon financial statements prepared by the City which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized City Representative will certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described under paragraph (a) or (b) above will be required:

(A) if the Senior Bonds being issued are for the purpose of refunding then Outstanding Senior Bonds and there is delivered to the Trustee, instead, a certificate of the Authorized City Representative showing that Aggregate Annual Debt Service for each Fiscal Year after the issuance of such Refunding Bonds will not exceed the Aggregate Annual Debt Service for each Fiscal Year prior to the issuance of such Refunding Bonds;

(B) if the Senior Bonds being issued constitute Notes and there is delivered to the Trustee, instead, a certificate prepared by an Authorized City Representative showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Notes and there is delivered to the Trustee a certificate of an Authorized City Representative setting forth calculations showing that for each of the Fiscal Years during which the Notes will be

Outstanding, and taking into account the debt service becoming due on such Notes, the City will be in compliance with the rate covenant under the Indenture; or

(C) if the Senior Bonds being issued are to pay costs of completing a Project for which Senior Bonds have previously been issued and the principal amount of such Senior Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Senior Bonds originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized City Representative and there is delivered to the Trustee (1) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (2) a certificate of an Authorized City Representative to the effect that (x) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Project) of the original Senior Bonds issued to finance such Project have been or will be used to pay Costs of the Project and (y) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Construction Fund established for the Project (including unspent proceeds of Senior Bonds previously issued for such purpose) and (z) the proceeds to be received from the issuance of such Senior Bonds plus moneys available in the Construction Fund established for the Project (including unspent proceeds of the Senior Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Project.

Permitted Investments

Moneys held by the City and/or Trustee under the Indenture may be invested as directed by the City in Permitted Investments, subject to the restrictions set forth in the Indenture and subject to restrictions imposed on the City. See "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE FIRST SUPPLEMENTAL SENIOR INDENTURE."

Events of Default and Remedies; No Acceleration

Events of Default under the Indenture and related remedies are described in the summary of certain provisions of the Indenture attached as Appendix C. The occurrence of an Event of Default does not grant any right to accelerate payment of the Series 2009 Bonds. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the City under the Indenture.

DEBT SERVICE REQUIREMENTS AND OUTSTANDING OBLIGATIONS

Senior Bonds

After the issuance of the Series 2009 Bonds, there will not be any outstanding Senior Bonds other than the Series 2009 Bonds. The following table presents the debt service requirements associated with the Series 2009 Bonds.

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TABLE I
DEBT SERVICE REQUIREMENTS FOR
SERIES 2009 BONDS¹

<u>Bond Year</u> Ending <u>June 1</u>	Principal on the Series 2009A <u>Bonds</u>	Interest on the Series 2009A <u>Bonds</u>	Principal on the Series 2009B <u>Bonds</u>	Interest on the Series 2009B <u>Bonds</u>	Principal on the Series 2009C <u>Bonds</u>	Interest on the Series 2009C <u>Bonds</u> ²	<u>Total</u>
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¹ Numbers may not total due to rounding to nearest dollar.

² Interest on the Series 2009C Bonds does not take into account the receipt by the City of any Federal Direct Payments.

Subordinate Obligations

The City may, from time to time, incur indebtedness which is subordinate to the Series 2009 Bonds and any additional Senior Bonds and which indebtedness is referred to herein as Subordinate Obligations. Such indebtedness will be incurred at such times and upon such terms as the City determines, provided that:

(a) any Supplemental Senior Indenture authorizing the issuance of any Subordinate Obligations specifically states that such lien on or security interest granted in the Net Revenues and the other security set forth in the Granting Clause of the Master Senior Indenture is junior and subordinate to the lien on and security interest in such Net Revenues and the other security set forth in the Granting Clause of the Master Senior Indenture and other assets granted to secure the Series 2009 Bonds and any additional Senior Bonds;

(b) payment of principal of and interest and other amounts due on such Subordinate Obligations will be permitted, provided that all deposits and payments required to be made pursuant to the Master Senior Indenture hereof have been made or satisfied.

Pursuant to the Master Subordinate Indenture, dated as of November 1, 2004, as amended and supplemented (the "Master Subordinate Indenture"), by and between the City and The Bank of New York Mellon Trust Company, National Association, formerly known as The Bank of New York Trust Company, National Association (the "Subordinate Trustee"), the City, on behalf of the Airport, is authorized to have outstanding, from time to time, up to \$25,000,000 in aggregate principal amount of its City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series A Notes (Governmental) (the "Series A Subordinate Commercial Paper Notes"), Series B Notes (Private Activity) (the "Series B Subordinate Commercial Paper Notes") and Series C Notes (Taxable) (the "Series C Subordinate Commercial Paper Notes," and together with the Series A Subordinate Commercial Paper Notes and the Series B Subordinate Commercial Paper Notes, the "Subordinate Commercial Paper Notes"). As of October 1, 2009, Subordinate Commercial Paper Notes were outstanding with a maturity value of \$16,332,000 (which includes \$4,000,000 of the Series A Subordinate Commercial Notes to be current refunded with a portion of the Series 2009 Bonds). In connection with the Subordinate Commercial Paper Notes, the City entered into a Reimbursement Agreement, dated as of November 1, 2004, as amended (the "Reimbursement Agreement"), with JPMorgan Chase Bank, National Association (formerly known as Bank One, NA) (the "CP Bank"), pursuant to which the CP Bank issued an irrevocable Letter of Credit to secure the timely payment of the principal and interest on the Subordinate Commercial Paper Notes. The Reimbursement Agreement is currently scheduled to expire on June 2, 2011, unless terminated earlier.

Other Obligations

Future Financings. The City is currently planning to issue two series of Senior Bonds later in calendar year 2010. One series of Senior Bonds will be issued to refund approximately \$12.3 million of outstanding Series A Subordinate Commercial Paper Notes, which was initially issued for various airfield projects. After the issuance of Senior Bonds to refund the outstanding Series A Subordinate Commercial Paper Notes, there will be no additional Subordinate Commercial Paper Notes outstanding.

The other series of Senior Bonds will be issued to fund approximately \$39 million of design and construction costs of various terminal area improvements (the "Terminal Project"). The Terminal Project will provide for the construction of permanent facilities for passenger holdrooms, restrooms, concessions, and the consolidation of passenger security screening in one central location. Design and approvals are

anticipated in Fiscal Year 2010 with commencement of construction in early Fiscal Year 2011. See "AIRPORT CAPITAL IMPROVEMENT PROGRAM."

Special Facility Obligations. The City may designate an existing facility or a planned facility as a "Special Facility" and may incur indebtedness to acquire, construct, renovate or improve such facility or to finance the acquisition, construction, renovation or improvement thereof by a third party. Additionally, the City may provide that certain contractual payments derived from or related to such Special Facility, together with other income and revenues available therefrom, will constitute "Special Facilities Revenue" and will not be included as Revenues. Such indebtedness will constitute a "Special Facility Obligation" and will be payable solely from the Special Facilities Revenue. When Special Facility Obligations issued for a Special Facility (including Special Facility Obligations issued to refinance Special Facility Obligations) are fully paid or otherwise discharged, all revenues received by the City from such facility will be included as Revenues. The Master Senior Indenture provides that to the extent Special Facility Revenues exceed the amounts required to pay the principal of and interest on Special Facility Obligations when due, and to the extent not otherwise encumbered, the excess may constitute Revenues as determined by the City.

The City does not currently have any outstanding Special Facility Obligations.

Rental Credits. The City from time to time has provided credits to its airline tenants that may be applied against amounts otherwise due under such tenants' leases. Rental credits are applied as an offset to amounts owed to the City by such airlines. Because these credits are applied as an offset to amounts owed to the City by such airlines, the City receives less money from these airlines under their leases than is otherwise due absent the rental credit. Thus, although the credits are not secured by any pledge of or lien on the City's revenues, the use of such credits results in the creation of a higher payment priority for such credits than for the Senior Bonds, including the Series 2009 Bonds.

The City does not currently provide rental credits to any of its airline tenants. JetBlue most recently received rental credits; however, such credits ended in Fiscal Year 2006.

Repayment Obligations. Under certain circumstances the obligation of the City, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a "Repayment Obligation") may be secured by a pledge of and lien on Net Revenues on a parity with the Senior Bonds. If a Credit Provider or Liquidity Provider advances funds to pay principal of or to purchase Senior Bonds, all or a portion of the City's Repayment Obligation may be afforded the status of a Senior Bond under the Master Senior Indenture. The City currently does not have any Senior Repayment Obligations outstanding. See "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND FIRST SUPPLEMENTAL INDENTURE—Repayment Obligations Afforded Status of Bonds."

THE AIRPORT

General

The Airport, originally called Earl S. Daugherty Field, is located in Los Angeles County, in the geographic center of the City of Long Beach. The Airport is strategically located halfway between the Los Angeles County and Orange County business centers, a location which provides access to the region's major freeways.

The Airport had its origins in 1923 when the Long Beach City Council (the "City Council") set aside 150 acres of property for that purpose. During the late 1940's and 1950's, major land acquisitions occurred and the Airport grew to its present 1,166 acres.

Governance of the Airport

The Airport is operated as a department of the City and is under the direction of the City Manager. The Mayor and City Council set policy for and serve as the Board of Directors for the Airport. The City Manager implements policy and supervises the planning, development, management and operations of the Airport and the Enterprise, and with the approval of the City Council, has the power to enter into contracts, leases and agreements for the use of Airport and Enterprise property and facilities. The City Council has the power to establish schedules fixing all fees and charges.

Patrick H. West, City Manager. Mr. West was appointed City Manager in September 2007. He worked for the City of Paramount for twenty-five years as the Parks and Recreational Director, Community Development Director and Executive Director of the Redevelopment Agency and City Manager. In 2005, he was appointed Community Development Director and Executive Director of the Redevelopment Agency in Long Beach. Mr. West holds a master's degree in business administration and a bachelor's degree in social sciences.

Mario Rodriguez, Airport Director. Mr. Rodriguez, an aviation expert with more than 20 years of experience in the private and public sectors, was appointed Director of the Airport on February 23, 2009. Current responsibilities include airport operations, finance and leasing, the Noise Ordinance (as defined herein), community outreach and environmental matters. Prior to his arrival at the Airport, Mr. Rodriguez was the Deputy Director of Louis Armstrong New Orleans International Airport from 2003 to 2009. In 2007, Mr. Rodriguez was recognized for his expertise in environmental management and awarded the prestigious Environmental Achievement Award from Airport Council International. From 1995 to 2003, Mr. Rodriguez was responsible for the planning and execution of the Palm Beach County Department of Airports Capital Improvement Program. From 1987 to 1995, Mr. Rodriguez worked in the private sector for several multi-national consulting firms and was associated with airport and aviation consulting, including master planning and development. Mr. Rodriguez received his bachelor of science degree in civil engineering from University of Miami in 1987. Mr. Rodriguez is active in both ACI and American Association of Airport Executives. He sits on several boards, including Southeastern Louisiana University's International Business Advisory Board and the ACI Environmental Affairs Steering Committee.

Christine Edwards, Operations Bureau Manager. Ms. Edwards was appointed Airport Operations Manager in July 2008. She has over 30 years of experience in the aviation industry. Ms. Edwards worked as an aviation consultant specializing in airport operations, regional airspace utilization, aircraft noise and safety until her permanent appointment at the Airport as the Airport Operations Officer in 1996. From 1976 to 1993, Ms. Edwards held various positions at John Wayne Airport related to noise, environmental affairs, operations and facilities. At the time of her departure from John Wayne Airport in 1993, Ms. Edwards was the Manager of Airport Operations and Facilities. She received her bachelor of arts degree from Lewis & Clark College and her master of arts degree from California State University at Fullerton.

Fred Peña, Superintendent of Airport Operations. Mr. Peña was appointed Superintendent of Airport Operations in June 2002 and is currently the Acting Airport Operations Manager. He has over 40 years of airline and airport operations experience with emphasis on operational reliability, staff development and budgeting. Mr. Peña is responsible for all administrative and operational functions relative to FAA Part 121 air carrier operations. He managed the annual FAA Certification Inspection for

which the Airport garnered a perfect score. Prior to serving the Airport, Mr. Peña worked at Honolulu International Airport, Los Angeles International Airport, Burbank Airport and John Wayne Airport. Mr. Peña is certified as a FAA Ground Security Coordinator, FAA Flight Attendant and FAA Private Pilot. He is a member of the ACI Operations & Technical Affairs Committee.

Juan Lopez-Rios, Leasing & Business Development Officer. Mr. López-Rios was appointed Leasing and Development Officer of the Airport in April 2008. From 2004 to 2008, Mr. López-Rios was the Real Estate Officer for the City, where he oversaw leasing and acquisition activities for a variety of City departments, including the Airport. From 2001 to 2004, he was a Development Project Manager for the City, handling various leasing transactions, including the Airport. From 1992 to 2001, Mr. López-Rios worked for the University of California where his responsibilities included areas of facilities management. He received his bachelor of science degree in business and public administration with an emphasis in organizational management from the University of the Pacific and his master of science degree in education and administration from Colorado State University. Mr. López-Rios is a member of the ACI Commercial Management Committee.

Claudia Lewis, Administrative Officer. Ms. Lewis was appointed to the position of Administrative Officer in May 2009. From 2007 to 2009, she worked in the Personnel and Budget Services Offices of the City’s Public Works Department, which included responsibility of the Airport’s operating budget. From 2005 to 2007, Ms. Lewis managed the Human Resources/Personnel functions at the Port of Long Beach. From 1999 to 2005, Ms. Lewis worked at the Long Beach Water Department as lead analyst providing administrative support to its Operations, Water Treatment and Water Quality Divisions. Ms. Lewis joined the City in 1996 as an analyst in the Traffic & Transportation Division of Public Works where she managed contracts, prepared grant applications and prepared analytical reports for transportation funding programs until 1999. She received her bachelor’s degree from the University of California at Irvine and her master’s degree in business administration from the California State University at Dominguez Hills in 1996. Ms. Lewis is a member of the ACI Finance Committee and the International Public Management Association for Human Resources.

Airport Facilities

The Airport operates with five asphalt runways having the following dimensions:

<u>Runway</u>	<u>Length</u>	<u>Width</u>
Runway 12-30	10,000 ft.	200 ft.
Runway 7L-25R	6,192 ft.	150 ft.
Runway 7R-25L	5,423 ft.	150 ft.
Runway 16R-34L*	4,470 ft.	75 ft.
Runway 16L-34R*	4,267 ft.	75 ft.

*The Federal Aviation Administration, in conjunction with the Airport, is currently evaluating the possible closure of these runways to improve safety and reduce the risk of runway incursions. A formal decision is expected within the next year.

The primary runway, Runway 12-30 may be used by aircraft up to wide-body jets, with some weight restrictions imposed by the tunnels under the runway at Lakewood Boulevard and Spring Street. Runway 7L-25R, the alternate air carrier runway, may be used by Airbus A320, Boeing B737 and other similar aircraft. Runway 7R-25L is used primarily by general aviation aircraft, including business jets. Runways 16R-34L and 16L-34R are unlighted crosswind runways limited in use to general aviation aircraft weighing up to 12,500 pounds.

These runways are connected by a fully integrated system of ten taxiways serving the commercial, military, and general aviation communities. Unique to Southern California airports, the Airport also maintains six helicopter training pads and two airship mooring sites.

Constructed in 1941, the Airport's existing passenger terminal was named a City of Long Beach Cultural Heritage Landmark in 1990. The three-story terminal facility, topped by the two-story former air traffic control tower, provides facilities for customer ticketing, concessions, restrooms and offices for Airport and airline staff. In 1984, a permanent passenger screening and holdroom facility was constructed adjacent to the terminal to handle about 1,500,000 annual passengers, provide better accessibility for passengers with disabilities and to improve the passenger screening process and baggage claim. During 2002 and 2003, the passenger screening area was again expanded to meet current federal security requirements, and two additional temporary holdroom facilities were constructed to meet increased passenger activity levels. The air carrier ramp serving the terminal provides ground-level parking for ten commercial aircraft.

The Airport's four-level parking structure, with 1,017 parking spaces, was constructed in 1985. An additional 977 surface parking spaces are located immediately adjacent to the existing structure. Additionally, the Airport operates a 554-space employee parking lot and a car rental lot with 217 parking spaces. To supplement the Airport's need for public parking, a month-to-month agreement for a long-term lot located north of the Airport provides an additional 2,142 surface parking spaces.

Excluding the 2009 Project, the Airport's capital improvement plan ("CIP") includes projects with a total cost estimate of approximately \$176 million for the period from Fiscal Year 2009 through Fiscal Year 2013. Included in this total is the design and construction of terminal area improvements, reconstruction of the air carrier ramp and rehabilitation of airfield infrastructure including runways and taxiways over the next ten years. For more information on the Airport's CIP, see "AIRPORT CAPITAL IMPROVEMENT PROGRAM" herein.

Other Facilities

The Airport maintains approximately 60 long-term ground leases for use of Airport property for air cargo, airline, general aviation, aircraft manufacturing and non-aviation purposes. There are approximately 180 businesses located at the Airport providing employment for approximately 16,000 individuals. These businesses include, among others, the Long Beach Airport Business Park, the Long Beach Airport Marriott Hotel, the Kilroy Airport Center, Gulfstream Aerospace, Toyota AirFlite, Federal Express, United Parcel Service, Skylinks Golf Course, Automobile Club of Southern California, Embry-Riddle Aeronautical University, DeVry Institute of Technology and various other specialty aviation companies, fixed base operators, aircraft hangar and tie-down facilities and aircraft rental and flight training operations.

General aviation accounted for 87.4% of the Airport's total annual operations in Fiscal Year 2008. The Airport has over 600 based aircraft in open tie-down and hangar spaces.

Located adjacent to the Airport, with direct airfield access, the Boeing Company maintains its C-17 military aircraft production facility, employing approximately 5,000 individuals. In addition, the Boeing Company is redeveloping 230 acres of former manufacturing land north of the Airport as Douglas Park, a light industrial and business office complex expected to create up to 10,000 new employment opportunities.

The Air Trade Area

The geographical area served by the Airport primarily encompasses Los Angeles County, Orange County, Ventura County, Riverside County and San Bernardino County, which constitute the Los Angeles-Long Beach-Riverside Combined Statistical Area (the "Los Angeles CSA"). The map on the following page presents the geographical location of the Airport's total air trade area in relation to the State, including the individual California counties.

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[Insert Map]

The Los Angeles region is served by five commercial service airports, including the Airport: Los Angeles International Airport, Bob Hope Airport in Burbank, LA/Ontario International Airport and John Wayne Airport in Orange County. Each of the five airports caters to particular types of passenger demand, owing to each facility's geographic proximity to businesses and population concentrations in the region, as well as to the availability of specific types of air services. The Airport draws passengers from the region for short-, medium- and long-haul domestic service.

As measured by population, the Los Angeles CSA, with just over 17.9 million people in 2008, is the second-largest of the 126 Combined Statistical Areas in the United States. Only the New York-New Jersey-Bridgeport Combined Statistical Area (the "New York CSA"), with approximately 22.1 million people, represents a larger market for air transportation. The Los Angeles CSA has approximately eight million more people than the third-largest consolidated market in the United States, which is the Chicago-Naperville-Michigan City Combined Statistical Area.

The Los Angeles CSA is also among the most affluent regions in the United States. As measured by the number of households with annual income of \$75,000 or more, the Los Angeles CSA is exceeded only by the New York CSA.

AIRPORT OPERATING INFORMATION

Regional Airport Perspective

The Airport's share among the five principal commercial service airports serving the Los Angeles region has steadily increased since Fiscal Year 2002, the first full year of service for JetBlue at the Airport. The Airport's share of West Coast corridor O&D passengers increased 5.9% between Fiscal Year 1998 and Fiscal Year 2008. The following table presents the historical shares of West Coast corridor O&D passengers for the five principal commercial service airports serving the Los Angeles region.

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TABLE II
LONG BEACH AIRPORT
SHARES OF WEST COAST CORRIDOR O&D PASSENGERS
 Fiscal Years 1998 through 2008

Fiscal Year	Long Beach (LGB)		Los Angeles (LAX)		LA/Ontario (ONT)		Bob Hope (BUR)		John Wayne (SNA)		Total O&D Passengers
	O&D Passengers*	Percentage of Total	O&D Passengers*	Percentage of Total	O&D Passengers*	Percentage of Total	O&D Passengers*	Percentage of Total	O&D Passengers*	Percentage of Total	
1998	1,000	0.0%	6,915,310	46.4%	2,243,420	15.1%	2,810,110	18.9%	2,933,750	19.7%	14,903,590
1999	1,180	0.0	7,095,510	47.0	2,293,860	15.2	2,833,510	18.8	2,869,560	19.0	15,093,620
2000	2,190	0.0	6,938,210	45.9	2,302,220	15.2	2,788,760	18.5	3,081,650	20.4	15,113,030
2001	1,830	0.0	6,333,120	44.3	2,381,220	16.7	2,668,330	18.7	2,910,340	20.4	14,294,840
2002	38,800	0.3	4,832,340	39.5	2,178,350	17.8	2,490,210	20.3	2,700,830	22.1	12,240,530
2003	561,490	4.4	4,743,000	37.3	2,140,770	16.8	2,486,150	19.6	2,774,240	21.8	12,705,650
2004	578,740	4.5	4,819,110	37.4	2,120,100	16.5	2,491,380	19.3	2,868,070	22.3	12,877,400
2005	635,710	4.7	5,081,500	37.5	2,213,730	16.3	2,602,920	19.2	3,016,340	22.3	13,550,200
2006	703,240	5.3	4,842,770	36.4	2,240,580	16.8	2,556,770	19.2	2,965,350	22.3	13,308,710
2007	802,780	5.6	5,220,630	36.1	2,287,800	15.8	2,960,640	20.5	3,181,730	22.0	14,453,580
2008	829,460	5.9	5,539,560	39.7	2,176,860	15.6	2,546,280	18.2	2,860,310	20.5	13,952,470

Change in Share

1998 - 2008	5.9%	(6.7)%	0.5%	(0.6)%	0.8%
2004 - 2008	1.5	2.3	(0.9)	(1.1)	(1.8)

* Traffic to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International and Sacramento International airports.
 Source: U.S. Department of Transportation Origin & Destination Survey of Airline Passenger Traffic, accessed May 12, 2009

Airport Noise Compatibility Ordinance

In 1981, the City adopted a noise control ordinance that limited the number of air carrier flights at the Airport to 15 per day and required the use of quieter aircraft. The ordinance was later challenged in federal court on constitutional grounds by various commercial airlines. In an effort to resolve protracted litigation, the City and the airlines entered into a stipulated settlement agreement in 1995. Under the settlement, the City Council adopted the current Airport Noise Compatibility Ordinance (the "Noise Ordinance"). One component of the Noise Ordinance permits air carriers (passenger and all-cargo) to operate a minimum of 41 flights per day and commuter carriers to operate a minimum of 25 flights per day at the Airport. Commuter slots are restricted to aircraft having a certificated maximum take-off weight less than 75,000 pounds.

The Noise Ordinance allows the minimum permitted number of flights per day to be increased at the Airport in each operator flight restriction category so long as flights operate at or below annual noise budgets for each class of operator defined in the Noise Ordinance. The City has never authorized any increase in the minimum number of permitted air carrier or commuter flights at the Airport since the adoption of the Noise Ordinance. Such increases, however, could occur in the future if the airlines optimize their flight operations at the Airport. For the air carriers, this would include using the quietest feasible models of aircraft for every flight at the Airport and substantially reducing late night operations to reduce curfew violations. Under such optimal conditions, the estimated number of increased air carrier flights would range between seven and eleven additional flights per day.

As of October 1, 2009, all of the Airport's 41 air carrier slots are being utilized. As of October 1, 2009, nine of the 25 commuter slots are utilized, with SkyWest Airlines (doing business as Delta Connection) ("Delta") holding five such slots and Horizon Air ("Horizon") holding four such slots.

Passenger Enplanements

The Airport is classified by the FAA as a "small hub facility" based on its percentage of nationwide enplanements. In Fiscal Year 2008, the Airport served 2.9 million enplaned and deplaned passengers. The table below presents historical enplanements for the Airport and the nation.

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**TABLE III
LONG BEACH AIRPORT
HISTORICAL ENPLANEMENTS
Fiscal Years 1998 through 2009**

<u>Fiscal Year</u>	<u>Airport Enplanements</u>	<u>Airport Growth</u>	<u>U.S. Domestic Enplanements</u>	<u>U.S. Growth</u>	<u>Market Share</u>
1998	303,979		590,400,000		0.051%
1999	461,411 ¹	51.8%	610,900,000	3.5%	0.076
2000	318,560 ²	(31.0)	641,200,000	5.0	0.050
2001	280,528 ³	(11.9)	625,800,000	(2.4)	0.045
2002	515,634 ⁴	83.8	575,100,000	(8.1)	0.090
2003	1,386,078	168.8	587,800,000	2.2	0.236
2004	1,479,254	6.7	628,500,000	6.9	0.235
2005	1,520,918	2.8	669,500,000	6.5	0.227
2006	1,412,636 ⁵	(7.1)	668,400,000	(0.2)	0.211
2007	1,446,140	2.4	690,100,000	3.2	0.210
2008	1,439,598	(0.5)	679,600,000 ⁶	(1.5)	0.212
2009	1,466,884	1.9	N/A	N/A	N/A
Compounded Annual Growth Rate					
1998 – 2001	(2.6)%		2.0%		
2001 – 2003	122.3		(3.1)		
2003 – 2008	0.8		2.9		
1998 – 2008	16.8		1.4		

¹The 51.8% increase in enplaned passengers in Fiscal Year 1999 was primarily due to charter service initiated by WinAir at the Airport to Las Vegas, Oakland, Sacramento and Salt Lake City.

²The 31.0% decrease in enplaned passengers in Fiscal Year 2000 was primarily due to WinAir discontinuing service at the Airport due to its bankruptcy.

³Allegiant Air discontinued service at the Airport in early Fiscal Year 2001, causing passenger activity to further decrease 1.9% in Fiscal Year 2000.

⁴The initiation of service by JetBlue at the Airport late in Fiscal Year 2001 significantly increased passenger activity, beginning in Fiscal Year 2002.

⁵The 7.1% decrease in passenger activity at the Airport in Fiscal Year 2006 was primarily due to American Airlines discontinuing service at the Airport, due to poor economic route performance.

⁶Estimated by the FAA.

Sources: City of Long Beach, California (Airport activity); Federal Aviation Administration (U.S. activity)

As shown, passenger activity at the Airport increased from 303,979 enplanements in Fiscal Year 1998 to 1,439,598 in Fiscal Year 2008. This increase represents a compounded annual growth rate of 16.8% during this period, compared to 1.4% for the nation. The Airport's share of total U.S. enplaned passengers increased from 0.051% in Fiscal Year 1998 to 0.212% in Fiscal Year 2008, reflective of the higher compounded annual growth rate experienced at the Airport compared to the nation during this period.

Air Carriers Serving the Airport

The Airport is presently served by five passenger air carriers and two all-cargo carriers. The passenger air carriers are Alaska Airlines ("Alaska"), JetBlue, Mesa Airlines (doing business as US

Airways Express) (“US Airways”), Delta and Horizon. The Airport cargo carriers are Federal Express (“FedEx”) and United Parcel Service (“UPS”).

**TABLE IV
LONG BEACH AIRPORT
AIRLINES SERVING THE AIRPORT ¹**

Passenger Airlines

Alaska Airlines²
Delta Connection (SkyWest Airlines)
Horizon Air
JetBlue Airways
US Airways Express (Mesa Airlines)

Cargo Carriers

FedEx
United Parcel Service

¹ As of October 2009.

² Alaska Airlines will discontinue service at the Airport in November 2009.

Source: City of Long Beach

Prepared by: Ricondo & Associates, Inc.

Market Share of the Airlines

JetBlue has the majority of passenger activity with over 70% of annual enplanements each of the last five Fiscal Years. In Fiscal Year 2009, JetBlue had a 78.4% share of enplaned passengers at the Airport, with Alaska, Mesa and SkyWest accounting for a combined 21.6% of enplanements during this same period. American Airlines’ share of enplaned passengers at the Airport decreased significantly in Fiscal Years 2005 and 2006, as the carrier steadily decreased activity at the Airport from seven daily flights to four flights until ultimately ceasing service at the Airport in mid-Fiscal Year 2006. The following table presents shares of enplanements by airlines at the Airport for Fiscal Years 2004 through 2009.

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TABLE V
LONG BEACH AIRPORT
HISTORICAL ENPLANEMENTS BY AIRLINE
 Fiscal Years 2004 through 2009

Airline	Fiscal Year 2004		Fiscal Year 2005		Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
JetBlue	1,049,022	70.9%	1,124,901	74.0%	1,102,186	78.0%	1,142,177	79.0%	1,101,602	76.5%	1,150,629	78.4%
Alaska ¹	71,402	4.8	102,426	6.7	114,084	8.1	144,571	10.0	113,310	7.9	141,821	9.7
US Airways ²	84,207	5.7	110,233	7.2	102,162	7.2	102,091	7.1	105,467	7.3	90,622	6.2
SkyWest	-	-	-	-	29,936	2.1	57,301	4.0	71,865	5.0	83,812	5.7
ExpressJet	-	-	-	-	-	-	-	-	47,354	3.3	-	-
American	274,623	18.6	183,358	12.1	64,268	4.5	-	-	-	-	-	-
Airport Total ³	1,479,254	100.0%	1,520,918	100.0%	1,412,636	100.0%	1,446,140	100.0%	1,439,598	100.0%	1,466,884	100.0%

¹ Includes activity for Horizon Air (Fiscal Year 2004).

² Includes activity for America West (Fiscal Years 2004 through 2007), Mesa (Fiscal Years 2004 through 2008) and Freedom (Fiscal Years 2003 through 2004). Mesa currently provides service at the Airport as US Airways Express.

³ Totals may not add due to individual rounding.

Source: City of Long Beach, California

Aircraft Operations

The Airport is home to commercial, all-cargo, general aviation, military and corporate aircraft, as well as helicopters, flight schools, aircraft rental and leasing facilities, and aircraft manufacturers. Total aircraft activity at the Airport increased from 343,993 operations in Fiscal Year 2004 to 354,727 in Fiscal Year 2008; however, aircraft activity at the Airport decreased to 302,672 in Fiscal Year 2009. In calendar year 2008 and through the first half of calendar year 2009, the combination of record high fuel prices and weakening economic conditions resulted in the worst financial environment for the U.S. airline industry since the terrorist attacks of September 11, 2001. Many domestic airlines announced significant capacity reductions, increases in fuel surcharges, fares and fees, and other measures to address these challenges.

The following table presents aircraft operations at the Airport for Fiscal Years 2004 through 2009.

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TABLE VI
LONG BEACH AIRPORT
HISTORICAL AIRCRAFT OPERATIONS
 Fiscal Years 2004 through 2009

<u>Fiscal Year</u>	<u>Air Carriers</u>	<u>Commuters</u>	<u>Airline Total</u>	<u>General Aviation</u>	<u>All Cargo</u>	<u>Other Air Taxi</u>	<u>Military</u>	<u>Total</u>
2004	25,258	400	25,658	307,232	4,160	6,118	825	343,993
2005	25,592	0	25,592	308,402	3,856	5,883	644	344,377
2006	24,172	1,380	25,552	324,747	3,644	6,204	664	360,811
2007	25,164	2,644	27,808	361,511	3,750	5,858	695	399,622
2008	24,286	6,578	30,864	313,750	4,140	5,455	518	354,727
2009	25,642	3,970	29,612	264,041	3,714	4,535	770	302,672

Compounded Annual Growth Rate (Fiscal Years)

2004-2007	(0.1)%	87.7%	2.7%	5.6%	(3.4)%	(1.4)%	(5.6)%	5.1%
2004-2008	(1.0)	101.4	4.7	0.5	(0.1)	(2.8)	(11.0)	0.8%
2004-2009	0.3	58.3	2.9	(3.0)	(2.2)	(5.8)	(1.4)	(2.5)
2005-2008	(1.7)	--	6.4	0.6	2.4	(2.5)	(7.0)	1.0
2005-2009	0.1	--	3.7	(3.8)	(0.9)	(6.3)	4.6	(3.2)

Source: City of Long Beach, California and Federal Aviation Administration

Landed Weight

The following table presents the share of landed weight by passenger airlines and all-cargo carriers at the Airport for Fiscal Years 2004 through 2008.

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TABLE VII
LONG BEACH AIRPORT
HISTORICAL LANDED WEIGHT BY AIRLINE
Fiscal Years 2004 through 2008
(Weight in Thousand Pounds)

Airline	Fiscal Year 2004		Fiscal Year 2005		Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008	
	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
JetBlue	1,119,102	51.4%	1,167,950	57.9%	1,215,378	63.3%	1,327,842	65.9%	1,329,972	64.9%
All-Cargo Carriers	358,491	16.5	350,388	17.4	332,027	17.3	308,729	15.3	307,990	15.0
Alaska ¹	132,475	6.1	134,386	6.7	145,336	7.6	196,676	9.8	141,525	6.9
US Airways ²	117,452	5.4	126,842	6.3	118,503	6.2	119,876	5.9	115,008	5.6
SkyWest	-	-	-	-	32,430	1.7	62,134	3.1	82,803	4.0
ExpressJet	-	-	-	-	-	-	-	-	71,528	3.5
American Airlines	445,124	20.4	236,767	11.7	77,546	4.0	-	-	-	-
Allegiant Air	6,016	0.3	-	-	-	-	-	-	-	-
Airport Total ³	<u>2,178,659</u>	<u>100.0%</u>	<u>2,016,333</u>	<u>100.0%</u>	<u>1,921,220</u>	<u>100.0%</u>	<u>2,015,257</u>	<u>100.0%</u>	<u>2,048,825</u>	<u>100.0%</u>

¹ Includes activity for Horizon Air (Fiscal Year 2004).

² Includes activity for America West (Fiscal Years 2004 through 2007), Mesa (Fiscal Years 2004 through 2008) and Freedom (Fiscal Years 2003 through 2004). Mesa currently provides service at the Airport as US Airways Express.

³ Totals may not add due to individual rounding.

Source: City of Long Beach, California

AIRPORT CAPITAL IMPROVEMENT PROGRAM

The Airport's five year (Fiscal Years 2009 through 2013) capital improvement plan (the "CIP") includes projects at a total cost estimate of approximately \$175 million. Included in this total is the design and construction of the Terminal Project, estimated at approximately \$40.2 million. The Terminal Project will provide for the construction of permanent facilities for passenger holdrooms, restrooms, concessions, and the consolidation of passenger security screening in one central location. Design and approvals are anticipated in Fiscal Year 2010, with commencement of construction in early Fiscal Year 2011.

In addition to the Terminal Project, the Airport plans to reconstruct the air carrier ramp with concrete, including the construction of utility systems, pre-conditioned air systems and a fuel containment system. This project is estimated at total cost of approximately \$33 million with funding through the use of Federal Airport Improvement Program ("AIP") funds, PFC revenues and local funds.

Through Fiscal Year 2013, the Airport is planning several airfield rehabilitation projects, including (i) the rehabilitation of Taxiways A, B, D, G and J, and access to Taxiways E and F, (ii) widening of Taxiway B to 75-feet, and (iii) rehabilitation of Runway 7R-25L and Runway 7L-25R.

The rehabilitation process will involve replacing existing pavement and improving the shoulders, pavement markings, lighting, signage, and drainage systems. The total cost for these projects is estimated at approximately \$70 million for the taxiways and \$22 million for the runways. These projects will be funded through a combination of AIP funds, PFC revenues and local funds.

Finally, the Airport is planning to retrofit the mechanical and electrical systems of the Lakewood Boulevard and Spring Street Tunnels located directly beneath Runway 12-30 and Taxiways D and L. Estimated at approximately \$12 million, funding will come from a combination of AIP funds, Intermodal Surface Transportation Efficiency Act loan moneys, PFC revenues, and local funds.

[PROVIDE UPDATE AND STATUS OF CONSTRUCTION]

AIRPORT FINANCIAL MATTERS

Summary of Financial Operating Information

The City accounts for the activities of the Airport and the Enterprise as an enterprise fund on the accrual basis of accounting according to generally accepted accounting principles. The general purpose financial statements of the City for the Fiscal Years ended September 30, 2008 and 2007, included in this Official Statement as APPENDIX B, have been audited by KPMG LLP, independent auditors.

The following table sets forth the historical operating results of the City for Fiscal Years 2004 through 2008.

TABLE VIII
LONG BEACH AIRPORT
HISTORICAL OPERATING RESULTS
 Fiscal Years 2004 through 2008

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating Revenues:					
Landing and Building Rentals	\$ 5,971,830	\$ 6,393,811	\$ 6,793,338	\$ 7,213,688	\$ 8,365,197
Parking Fees	7,894,347	8,193,835	7,512,483	8,030,908	8,562,484
Airport Concessions	4,487,619	4,695,477	4,938,651	5,372,472	5,173,047
Landing, Gate, and Ramp Fees	3,757,687	3,741,376	3,762,531	4,384,046	5,712,496
Other Fees and Charges	<u>1,624,479</u>	<u>1,785,176</u>	<u>1,789,130</u>	<u>1,835,766</u>	<u>2,239,324</u>
Total Operating Revenues	<u>\$23,735,962</u>	<u>\$24,809,675</u>	<u>\$24,796,133</u>	<u>\$ 26,836,880</u>	<u>\$ 30,052,548</u>
Operating Expenses:					
Personnel Services	\$ 4,673,764	\$ 5,863,713	\$ 6,934,574	\$ 7,676,956	\$ 7,997,820
Operations and Maintenance	6,366,499	7,319,655	7,911,967	8,187,006	9,834,959
City Services	3,921,349	4,380,406	5,413,365	6,324,244	6,595,852
General and Administration	1,731,503	1,640,274	595,317	856,631	1,401,731
Depreciation	2,066,272	2,046,350	131,096	126,276	122,348
Total Operating Expenses	<u>\$18,759,387</u>	<u>\$21,250,398</u>	<u>\$24,723,430</u>	<u>\$ 27,421,189</u>	<u>\$ 30,881,307</u>
Operating Income (Loss)	4,976,575	3,559,277	72,703	(584,309)	(828,759)
Non-Operating Revenues (Expenses):					
Interest income (expense)	\$ (517,642)	\$ (380,411)	\$ 23,913	\$ 450,236	\$ 122,463
Passenger Facility Charges	4,157,213	4,249,785	3,851,952	3,968,261	4,979,180
Operating Grants	193,973	1,282,778	57,629	--	--
Other Income, Net	<u>12,321</u>	<u>61,770</u>	<u>--</u>	<u>--</u>	<u>287,875</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 3,845,865</u>	<u>\$ 5,213,922</u>	<u>\$ 4,493,025</u>	<u>\$ 4,446,122</u>	<u>\$ 5,437,469</u>
Income (Loss) Before Capital Grants	8,822,440	8,773,199	4,565,728	3,861,813	4,608,710
Capital Grants—Federal Aviation Administration	14,718,882	16,704,974	4,015,038	12,013,424	7,495,543
Capital Grants—Other Sources	<u>--</u>	<u>--</u>	<u>--</u>	<u>260,268</u>	<u>31,942</u>
Increase in Net Assets	<u>23,541,322</u>	<u>25,478,173</u>	<u>8,580,766</u>	<u>16,135,505</u>	<u>12,136,195</u>
Total Net Assets, Beginning of Year	<u>\$33,340,760</u>	<u>\$56,882,082</u>	<u>\$82,360,255</u>	<u>\$ 90,941,021</u>	<u>\$107,076,526</u>
Total Net Assets, End of Year	<u>\$56,882,082</u>	<u>\$82,360,255</u>	<u>\$90,941,021</u>	<u>\$107,076,526</u>	<u>\$119,212,721</u>

Source: City of Long Beach, California, based on the Enterprise Fund audited financial statements for Fiscal Years 2004 through 2008.

Management's Discussion of Recent Financial Results

Operating Revenues

Airline Revenues. Airline revenues are derived based on a "modified Airport residual" basis, which means that all revenues generated from Airport activities, other than airline revenues, are credited against total Airport costs, and airline rates and charges are subsequently established so as to make up the difference. Between Fiscal Years 2004 and 2008, passenger airline charges at the Airport increased from \$5.6 million in Fiscal Year 2004 to \$7.3 million in Fiscal Year 2008.

Airline revenues are comprised of terminal rents, landing fees, common use fees, gate use fees and ramp fees. For more information on such rents and fees, see "—Rate Ordinance and Common Use Permits" below.

The Airport receives terminal rents from the airlines, the FAA and other entities for areas set aside for their exclusive use, such as ticket counters and offices. Terminal rental revenues declined between Fiscal Years 2004 and 2008. Much of the decline is attributable to the termination of a lease for the FAA that led to a 15.4% decrease in terminal rental revenues in Fiscal Year 2005. In Fiscal Year 2008, terminal rental revenues increased 11.1% over Fiscal Year 2007 due to the Airport raising rental rates.

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The following table presents the estimated payments made by passenger airlines at the Airport per enplaned passenger:

TABLE IX
LONG BEACH AIRPORT
HISTORICAL AIRLINE PAYMENTS PER ENPLANED PASSENGER*
Fiscal Years 2004 through 2008

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Landing Fees	\$3,437,303	\$3,391,919	\$3,417,853	\$3,379,694	\$4,420,115
Common Use Fees	1,553,605	1,726,495	1,699,343	1,743,411	2,165,213
Gate Use Fees	803,704	826,356	825,048	882,793	1,105,432
Ramp (RON) Fees	154,007	160,426	156,957	121,560	186,949
Terminal Rentals	<u>69,809</u>	<u>59,088</u>	<u>62,578</u>	<u>61,168</u>	<u>67,943</u>
Total Airline Fees	\$6,018,428	\$6,164,284	\$6,161,779	\$6,188,626	\$7,945,652
Less Fees from Cargo Airlines	<u>391,355</u>	<u>549,186</u>	<u>561,274</u>	<u>507,191</u>	<u>674,484</u>
Passenger Airline Charges	<u>\$5,627,073</u>	<u>\$5,615,098</u>	<u>\$5,600,505</u>	<u>\$5,681,435</u>	<u>\$7,271,168</u>
Enplanements	1,479,254	1,520,918	1,412,636	1,446,140	1,439,598
Airline Payments per Enplaned Passenger	\$3.80	\$3.69	\$3.96	\$3.93	\$5.05

*Unaudited numbers.

Source: City of Long Beach, California, based upon the Enterprise Fund financial reports

Non-Airline Revenues. The City also receives revenues from a variety of sources other than the airlines serving the Airport. The most significant sources of non-airline revenue are derived from parking, fixed base operators (“FBOs”), car rentals, non-aviation leases and restaurant/concessions. Non-airline revenues generated at the Airport increased from \$18.6 million in Fiscal Year 2004 to \$22.9 million in Fiscal Year 2008, representing a compounded annual growth rate of 5.4%.

Parking accounted for \$8.6 million (37.4%) of total non-airline revenues for Fiscal Year 2008. FBOs accounted for \$5.5 million (23.9%) of total non-airline revenues for Fiscal Year 2008. Car rentals accounted for \$3.6 million (15.7%) of total non-airline revenues in Fiscal Year 2008. However, due to a decline in demand, rental car revenues declined between Fiscal Years 2004 and 2008. Non-aviation revenues include the leased property surrounding the Airport, and accounted for \$2.6 million (11.4%) of total non-airline revenues in Fiscal Year 2008. Restaurant/concessions accounted for \$1.2 million (5.4%) of total non-airline revenues in Fiscal Year 2008.

Operating Costs. The Airport’s Maintenance and Operation Costs increased from \$16.7 million in Fiscal Year 2004 to \$24.6 million in Fiscal Year 2008, a compounded annual growth rate of 10.1%. Major Maintenance and Operation Cost categories include personnel support, materials, supplies and services, city services and new terminal operation and maintenance costs.

Historical Debt Service Coverage

The following table shows historical debt service coverage on the 1993 Certificates for Fiscal Years 2004 through 2008. The numbers in Table X were calculated per the terms of the Master Senior Indenture.

TABLE X
LONG BEACH AIRPORT
HISTORICAL DEBT SERVICE COVERAGE¹

	First Ten Months of Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:					
Landing and Ramp Fees	\$ 3,591,310	\$ 3,552,345	\$ 3,574,810	\$ 3,501,254	\$ 4,607,064
Adjustment for JetBlue Rental Credit	(637,327)	(637,325)	(637,327)	--	--
Terminal Gate Fees and Rents	2,427,118	2,611,939	2,586,969	2,687,372	2,402,380
Automobile Parking Fees	7,894,347	8,193,836	7,512,483	8,030,908	6,990,021
Other Airport Concessions	4,192,127	4,291,928	4,619,352	5,044,768	3,541,902
FBO Rents and Fuel Fees	3,813,099	4,391,366	4,536,825	4,718,972	4,826,481
Other Land and Building Rentals and Fees	2,475,575	2,464,270	2,618,905	2,905,281	2,525,773
Interest Income	182,369	253,074	427,369	684,386	536,146
Total Revenues	<u>\$23,938,618</u>	<u>\$25,121,433</u>	<u>\$25,239,386</u>	<u>\$27,572,941</u>	<u>\$24,177,183</u>
Maintenance and Operation Costs:					
Personnel	\$ 4,673,194	\$ 5,859,050	\$ 6,866,641	\$ 7,610,179	\$ 7,879,883
Materials, Supplies and Services	4,873,164	5,215,564	5,744,159	6,029,789	6,456,983
City Services	7,135,543	7,842,841	7,978,605	9,455,263	10,133,772
Other	23,008	24,113	39,748	66,958	100,220
Total Maintenance and Operation Costs	<u>\$16,704,909</u>	<u>\$18,941,568</u>	<u>\$20,629,153</u>	<u>\$23,162,189</u>	<u>\$24,570,858</u>
Net Revenues ²	<u>\$ 7,233,709</u>	<u>\$ 6,179,865</u>	<u>\$ 4,610,233</u>	<u>\$ 4,410,752</u>	<u>\$ 6,245,891</u>
Transfer ³	<u>\$ 323,577</u>	<u>\$ 322,577</u>	<u>\$ 323,480</u>	<u>\$ 322,621</u>	<u>\$ 322,318</u>
Total Available to Pay Debt Service ⁴	<u>\$ 7,557,286</u>	<u>\$ 6,502,442</u>	<u>\$ 4,933,713</u>	<u>\$ 4,733,373</u>	<u>\$ 6,568,209</u>
Debt Service					
Certificates of Participation – Series 1993	\$ 1,294,308	\$ 1,290,308	\$ 1,293,920	\$ 1,290,483	\$ 1,289,270
Debt Service Coverage	5.84x	5.04x	3.81x	3.67x	5.09x

¹ Unaudited numbers.

² Net Revenues is equal to Total Revenues less Total Maintenance and Operation Costs.

³ Transfer is equal to 25% of Debt Service on the Series 1993 Certificates of Participation.

⁴ Total Available to Pay Debt Service is equal to Net Revenues plus Transfer.

Source: City of Long Beach, California.

PFC Program

The Aviation Safety and Capacity Expansion Act of 1990 (the “1990 PFC Act”) and the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (“AIR 21,” and collectively with the 1990 PFC Act, the “PFC Acts”) permit public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge each enplaning passenger a PFC of \$1.00, \$2.00, \$3.00, \$4.00 or \$4.50. Public agencies wishing to impose and use PFCs must apply to the FAA for the authority to do so. The purpose of the PFC is to develop additional capital funding sources to provide for the expansion of the national airport system. The proceeds from PFCs must be used to finance eligible airport-related projects that preserve or enhance the safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among air carriers.

PFCs are collected by air carriers as part of the price of a ticket and then remitted to the Airport. The air carriers are permitted by the PFC Acts to retain a portion of each PFC collected (currently \$0.11 of each PFC collected) as compensation for collecting and handling PFCs. PFCs received by the Airport are net of this collection fee. With respect to an airline operating at the Airport which is involved in bankruptcy proceedings, it is unclear whether the Airport would be afforded the status of a secured creditor with regard to PFCs collected or accrued with respect to that airline. See “CERTAIN INVESTMENT CONSIDERATIONS—Effect of Airline Bankruptcies.”

The Airport has received approval from the FAA to collect \$138,630,089 of PFCs, which approval is estimated to expire on October 1, 2025. Such approval is to collect a \$4.50 PFC on each enplaning passenger. As of June 30, 2009, the Airport has collected, including interest earnings thereon, \$26,434,557 of PFCs.

[The Airport is in the process of submitting a new PFC application to collect an additional \$12.1 million of PFCs and to extend the estimated expiration date of its PFC program to March 1, 2027.]

Revenues do not include PFCs unless otherwise included in Revenues pursuant to a Supplemental Senior Indenture. However, even if PFCs are not included in Revenues, the City may (if approved by the FAA) use PFCs to pay the debt service on a future series of Senior Bonds if such bonds were eligible to be paid with PFCs. Such debt service paid with PFCs would not be included in the calculation of the rate covenants set forth in the Master Senior Indenture. Additionally, debt service on additional Senior Bonds expected to be paid from irrevocably committed, but not pledged, PFCs is not included in the additional bonds tests set forth in the Master Senior Indenture.

The actual amount of PFC revenues received in each Fiscal Year will vary depending on the number of qualifying passenger enplanements at the Airport. See “CERTAIN INVESTMENT CONSIDERATIONS” for discussion of a number of factors that may impact the number of passenger enplanements. See also “CERTAIN INVESTMENT CONSIDERATIONS—Effect of Airline Bankruptcies.”

The Airport’s ability to impose and use PFCs is subject to certain terms and conditions provided in the PFC Acts, the FAA’s PFC regulations and the specific FAA approvals applicable to the Airport’s PFC program. The Airport’s authority to impose the PFC is also subject to certain provisions of the Airport Noise and Capacity Act of 1990 (the “Noise Act”) and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. A failure by the Airport to comply with any of these requirements, or a violation by the Airport of the Noise Act, could result in a reduction or termination of the Airport’s authority to impose PFCs and to use PFCs to finance a portion of its CIP. Additionally, no assurance can be given that the Airport’s authority to impose the PFC will not

be terminated by Congress, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Airport or that the Airport will not seek to decrease the amount of the PFC to be collected.

Federal Grants

Under the AIP, the FAA awards grant moneys to airports around the country for capital improvement projects. AIP grants include entitlement funds, which are apportioned annually based upon enplaned passengers and cargo traffic, as well as discretionary funds, which are available at the discretion of the FAA based on a national priority system. In Fiscal Year 2009, the City authorized the acceptance of approximately \$8.8 million in federal AIP grants for the following projects at the Airport: (i) airfield signage replacement, (ii) air carrier ramp reconstruction, Phase 1B; and (iii) Taxilane J. The following table details federal grant funds received by the Airport for Fiscal Years 2005 through 2009.

**TABLE XI
LONG BEACH AIRPORT
FEDERAL GRANT FUNDS RECEIVED
Federal Fiscal Years 2000-2009**

<u>Federal Fiscal Year</u> ¹	<u>Federal Grant Funds Received for the Airport</u>
2005	\$ 6,796,539
2006	15,350,466
2007	5,511,569
2008	7,697,409
2009	<u>8,807,719</u>
Total	<u>\$44,163,702</u>

¹ October 1 through September 30
Source: City of Long Beach, California

Pursuant to Section 119 of the Aviation and Transportation Security Act (“ATSA”), the City is eligible to receive moneys from the federal government as reimbursement for costs associated with additional law enforcement personnel, airport surveillance and the revalidation of all airport issued and approved identification. During Fiscal Year 2008, the City received approximately \$287,876 million for security related reimbursements at the Airport.

Rate Ordinance and Common Use Permits

The financial operations of the Airport are established by the annual adoption of a Rate Ordinance (the “Rate Ordinance”) by the City Council and the granting of Commercial Use Permits (“Common Use Permits”) to the airlines. The Commercial Use Permit allows the use of the Airport on a month-to-month basis, and is cancellable on 30 days notice. Other than ticket counters and office space, which are granted on an exclusive use basis, all other facilities at the Airport, including the boarding lounge, concourse, and baggage claim, are common use areas.

Rates and charges are established annually through the Rate Ordinance, subject to a mid-year adjustment. Rates are determined through the budget process, based upon projected Maintenance and Operation Costs, debt service, and capital outlay, less nonairline and indirect airline revenues. The City establishes rates for the airfield, a gate fee, a remain overnight fee, a common use fee, and a terminal rental rate. The common use fee is determined by the Airport Director based on the actual expenses for the common use areas, the number of airlines, and flight activity at the Airport. The fee is levied on a per

enplaned passenger basis. Terminal rents for exclusive use space are levied on a per square foot basis, while the landing fee, gate fee, and remain overnight fee are based on landed weight. It has been the City's practice to increase these fees by an equal percentage to achieve a balanced budget. Such fees and rents, and the basis for such fees and rents, are set forth below.

<u>Fee/Rent</u>	<u>Rate</u> <u>(Effective May 1, 2009)</u>	<u>Basis</u>
Landing Fee		
7:00 a.m. – 10:00 p.m.	\$2.50	Per 1,000 pounds of landed weight
10:00 p.m. – 7:00 a.m.	\$5.30	Per 1,000 pounds of landed weight
Common Use Fee	\$1.75	Per enplaned passenger
Gate Use Fee	\$0.75	Per 1,000 pounds of landed weight
Ramp Fee	\$0.62	Per 1,000 pounds of landed weight
Terminal Rents	\$1.50	Per square foot of leased space

The City has initiated discussions with the Airlines regarding the implementation of a use and lease agreement to codify the rate setting mechanism. The duration and outcome of these discussions is unknown at this time, however, the City anticipates a structure similar to current practices.

Employer/Employee Relations

The Airport is budgeted for 124 regular (full-time) employees. All full-time, regular Airport employees are included in the City's retirement program.

Some Airport employees are represented by various employee organizations, including the International Association of Machinists ("IAM"), Long Beach Association of Engineering Employees ("LBAEE"), and Long Beach Management Association ("LBMA"). The contract with IAM is in effect until 2012 and the contract with LBMA is in effect until 2010. The LBAEE contract expired in 2008, and the Airport is currently in negotiations with LBAEE. The City has not experienced a major work stoppage by City employees in the past five years.

Pension Plans and Post Employment Healthcare Benefits

CalPERS. The following information concerning the California Employee's Retirement System ("CalPERS") is excerpted from publicly available sources, which the City believes to be accurate. CalPERS is not obligated in any manner for payment of debt service on the Series 2009 Bonds, and the assets of CalPERS are not available for such payment. CalPERS should be contacted directly at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, California 95814, Telephone: 888-225-7377 for other information, including information relating to its financial position and investments.

The City (which includes the Airport) contracts with CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, including annual cost of living adjustments ("COLA"), 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. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 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 ending June 30, 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 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. 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% of the employee's highest paid year of employment for each year of credited service. Vested first and second tier miscellaneous 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% of their highest paid year of employment for each year of credited service. The City created a third tier for miscellaneous employees hired after October 1, 2006. Vested third tier miscellaneous 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% 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% cost-of-living increase in their retirement benefit, while those under the second and third tier are eligible to receive a maximum annual 2% cost-of-living increase.

Contribution requirements of plan members and the City are established and may be amended by CalPERS. For Fiscal Year 2008, safety and miscellaneous plan participants were required to contribute 9% and 8%, respectively. Safety employees paid CalPERS 2% of the 9% employee rate, and the City paid the remaining 7%. Miscellaneous employees paid 2% of the 8% employee rate, and the City paid the remaining 6%. In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll. For Fiscal Year 2008, the contribution rates were 11.886% for miscellaneous employees and 15.686% for safety employees. For Fiscal Year 2009, the contribution rates will be 12.189% for miscellaneous employees and 15.850% for safety employees.

As of the most recent actuarial valuation date (June 30, 2007), the safety plan's actuarial accrued liability funding ratio was 102.4%, and the miscellaneous plan had an unfunded actuarial accrued liability of \$68,524,000, with a funding ratio of 95.6%. Generally, the impact of gains/losses from CalPERS investments are determined by using a rolling average methodology of gains and losses year over year. The most recent year's impact does not affect the stakeholder's contribution rates until three years later. However, CalPERS believes the events of Fiscal Year 2009 were unique, and therefore should be treated separately from past gains/losses. Therefore, CalPERS has approved a smoothing methodology for Fiscal Year 2009 where the losses for such year are isolated and amortized over a 30 year separate period, and phased in over a three year period. Such change to methodology will result in a second layer of contributions added to the current rolling 30-year results the City has been using in past years. The actuarially assumed rate of return for CalPERS is 7.75% annually.

CalPERS does expect a decline in value for their investment portfolio in Fiscal Year 2009, due in large part to volatility of the market, the recession being felt throughout the United States over the past year, and the credit crisis in the mortgage market. However, there are no expected changes in assumptions at this time.

Public Agency Retirement System-Defined Benefit Plan. The Public Agency Plan (the "Plan") is a defined benefit, single employer retirement plan. 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 City's funding policy is to make the contribution as determined by the Plan's actuary, and following is a summary of the calculation methodology for the contribution:

(a) The Plan's annual pension cost ("APC") for Fiscal Year 2008 was \$20,546; based on the same methodology, it is anticipated that the APC for Fiscal Year 2009 will be approximately \$17,000.

(b) The actuarial liabilities and assets are valued as of September 30, 2008.

(c) The actuarial funding 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 allocated 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 (over an average nine year period in the 2008 actuarial valuation used to determine Fiscal Year 2010 Annual Pension Cost) to determine the unfunded actuarial liability rate. The actuarial value of plan assets is based on a five year smoothing of gain/loss starting with Fiscal Year 2007.

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, 2008, there were 635 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 \$16,369,000. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for Fiscal Year 2008 were \$6,868,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

The most recent actuarial study of current and future retiree accumulated sick leave (dated January 1, 2006) was performed in accordance with Governmental Accounting Standards Boards

Statement No. 16, "Accounting for Compensated Absences" (GASB 16). Such study projected a Fiscal Year 2008 recorded liability in the Employee Benefits Internal Service Fund of \$72,751,000. The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, and an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996. The actuarial study assumes projected investment returns of 5.0%; wage increases of 3.5% per year for miscellaneous and 4.5% per year for safety employees, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$5,850,000, recorded in current accrued wages and benefits, has been fully funded; the long-term portion of the liability of \$66,901,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

Insurance

Pursuant to the Indenture, the City, subject to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions, is required to insure and at all times keep the Airport insured to the extent insurable and keep public liability insurance in a reasonable manner, in such amounts and against such risks as are, in the judgment of the City, prudent and reasonable, taking into account the amount and types of insurance or self insurance provided by similar airports. The Indenture does not specify any minimum amount of insurance coverage that the City must carry with respect to the Airport.

The Airport carries liability insurance separate from the City in the amount of \$100 million per occurrence covering general products, aircraft liability, and passengers. The Airport is included in the City's self-insurance program for workers' compensation claims.

The Airport does not currently maintain terrorism insurance due to the high cost of such coverage.

REPORT OF THE AIRPORT CONSULTANT

General

The City has retained Ricondo & Associates, Inc., which is recognized as an expert in its field, to prepare a report in connection with the Series 2009 Bonds. The Airport Consultant's Report is included as Appendix A hereto, with the Airport Consultant's consent. The information regarding the analyses and conclusions contained in the Airport Consultant's Report is included in the Official Statement in reliance upon the expertise of the Airport Consultant. The Airport Consultant's Report should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts contained therein. The Airport Consultant's Report will not be revised subsequent to the date of such report to reflect the final terms of the Series 2009 Bonds or the refunding of the Refunded Obligations.

The financial forecasts in the Airport Consultant's Report are based on certain information and assumptions that were provided by, or reviewed and agreed to by, the Airport's management. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the forecasts.

The Airport Consultant's Report should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Airport Consultant's Report will occur. As noted in the Airport Consultant's Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual

results, and those differences may be material. See also “INTRODUCTION—Forward-Looking Statements,” and “CERTAIN INVESTMENT CONSIDERATIONS—Report of the Airport Consultant.”

Projected Net Revenues and Debt Service Coverage

The following table sets forth the projected Net Revenues, projected debt service requirements for the Series 2009 Bonds and the Senior Bonds the City plans to issue later in calendar year 2010, and the coverage of such debt service requirements based upon the Net Revenues, as forecast by the Airport Consultant, for the years 2010 through 2015.

The forecasted financial information in the following table was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forecasted financial information, but, in the view of the Airport’s management, was prepared on a reasonable basis, to reflect the best currently available estimates and judgments and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the Airport. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information.

Neither the independent auditors for the Enterprise Fund, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted financial information contained herein, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted financial information.

The assumptions and estimates underlying the forecasted financial information are inherently uncertain and, though considered reasonable by Airport management as of the date hereof, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forecasted financial information, including, among others, the risks and uncertainties described under “CERTAIN INVESTMENT CONSIDERATIONS” above. Accordingly, there can be no assurance that the forecasted results are indicative of the future performance of the Airport or that actual results will not be materially higher or lower than those contained in the forecasted financial information. Inclusion of the forecasted financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

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TABLE XII
LONG BEACH AIRPORT
PROJECTED NET REVENUES AND DEBT SERVICE COVERAGE
Fiscal Years 2010 through 2015

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Landing Fees	\$ 5,129,679	\$ 5,309,218	\$ 5,495,040	\$ 5,687,367	\$ 5,886,425	\$ 6,092,450
Common Use	2,489,995	2,577,145	2,667,345	2,760,702	2,857,326	2,957,333
Gate Use	1,285,648	1,330,646	1,377,218	1,425,421	1,475,311	1,526,947
Ramp	210,951	218,334	225,976	233,885	242,071	250,544
Terminal Rent	78,134	80,869	83,700	86,629	89,661	92,799
Nonairline Revenues	<u>22,032,879</u>	<u>22,798,487</u>	<u>24,794,126</u>	<u>25,457,627</u>	<u>26,053,555</u>	<u>26,727,709</u>
Total Revenues	\$ <u>31,227,286</u>	\$ <u>32,314,698</u>	\$ <u>34,643,405</u>	\$ <u>35,651,630</u>	\$ <u>36,604,349</u>	\$ <u>37,647,781</u>
Operating & Maintenance Expenses	\$ <u>26,836,461</u>	\$ <u>28,478,864</u>	\$ <u>26,502,789</u>	\$ <u>27,437,316</u>	\$ <u>28,404,552</u>	\$ <u>29,405,642</u>
Net Revenues	\$ <u>4,390,826</u>	\$ <u>3,835,834</u>	\$ <u>8,140,616</u>	\$ <u>8,214,314</u>	\$ <u>8,199,797</u>	\$ <u>8,242,139</u>
Pledged PFC Revenue	\$ 0	\$ 2,541,750	\$ 4,338,500	\$ 4,340,500	\$ 4,333,250	\$ 4,342,125
Pledged Revenues	\$ 4,390,826	\$ 6,377,584	\$ 12,479,116	\$ 12,554,814	\$ 12,533,047	\$ 12,584,264
Certificates of Participation*	\$ 187,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Series 2009 Bonds*	1,000,167	1,124,094	2,669,570	4,216,048	4,223,600	4,221,500
Additional Bonds*	<u>0</u>	<u>2,033,400</u>	<u>3,470,800</u>	<u>4,147,500</u>	<u>4,143,900</u>	<u>4,152,600</u>
Funds Remaining	\$ 3,203,659	\$ 3,220,090	\$ 6,338,746	\$ 4,191,267	\$ 4,165,547	\$ 4,210,165
Coverage Calculation						
Pledged Revenues	\$ 4,390,826	\$ 6,377,584	\$ 12,479,116	\$ 12,554,814	\$ 12,533,047	\$ 12,584,264
Transfer Account (25% of Debt Service)	<u>296,792</u>	<u>789,373</u>	<u>1,535,093</u>	<u>2,090,887</u>	<u>2,091,875</u>	<u>2,093,525</u>
Pledged Revenues Available for Debt Service	\$ <u>4,687,618</u>	\$ <u>7,166,957</u>	\$ <u>14,014,209</u>	\$ <u>14,645,701</u>	\$ <u>14,624,921</u>	\$ <u>14,677,789</u>
Debt Service	\$ <u>1,187,167</u>	\$ <u>3,157,494</u>	\$ <u>6,140,370</u>	\$ <u>8,363,548</u>	\$ <u>8,367,500</u>	\$ <u>8,374,100</u>
Debt Service Coverage	3.95x	2.27x	2.28x	1.75x	1.75x	1.75x

* Preliminary; subject to change.
Source: Ricondo & Associates, Inc.

Sensitivity Analysis

Given the uncertainties and financial condition of the airline industry and the dominance of JetBlue at the Airport, a sensitivity analysis was conducted as part of the Airport Consultant's Report. The sensitivity analysis assumes a significant decline in passenger activity at the Airport and analyzes the effect of such decline on airline costs per enplaned passenger and debt service coverage. The sensitivity analysis also assumes that JetBlue discontinues its transcontinental service at the Airport.

The specific assumptions made in the sensitivity analysis are provided in the Airport Consultant's Report. See "APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—Financial Analysis—Sensitivity Analysis." Under the sensitivity analysis and based on the assumptions made therein, for the years 2013 to 2015, debt service coverage on the Series 2009 Bonds and additional Senior Bonds was projected to range from 132% to 134% (including Transfer). This coverage would be lower (but still higher than the coverage required to be maintained under the rate covenants under the Master Senior Indenture) than the debt service coverage forecast in the Airport Consultant's Report. See "APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—Financial Analysis—Debt Service Coverage."

THE AVIATION INDUSTRY AND THE AIRLINES

Airline Operating Results and Financial Condition

In 2008, the combination of record high fuel prices, weakening economic conditions, and a weak dollar has resulted in the worst financial environment for U.S. network and low-cost carriers since the September 11th terrorist attacks. These significant challenges facing the airline industry have caused several smaller carriers to declare bankruptcy, most of which ceased or will potentially cease passenger operations. Many of the domestic network competitors have announced significant capacity reductions, increases in fuel surcharges, fares and fees, and other measures to address the challenges. The magnitude of the airline industry's capacity reduction in response is similar to those following the events of the September 11th terrorist attacks. In the aftermath of September 11th, the industry saw a material adverse shift in the demand for air travel. The result was five years of reported industry operating losses, totaling above \$28 billion dollars (excluding extraordinary charges and gains). The current industry reductions are primarily driven by significant increases in fuel costs over a span of two and a half years, a weak dollar exacerbating the impact of fuel costs climb for U.S. carriers, and the softening of the U.S. economy.

Following the restructuring years post September 11th, the industry finally gained ground in 2007 with virtually every U.S. carrier posting profits. In 2007, the major airlines had managed to restrain capacity in a growing economy. Although the U.S. airline industry recovery from September 11th was record-setting in terms of profitability, it was also short-lived. High fuel prices would challenge margins, crowd out cost-saving initiatives, and a slowing U.S. economy began to weaken demand, even with restrained capacity growth. The Air Transport Association ("ATA") reported that fuel prices averaged around \$100 a barrel and the airline industry paid more than \$15.9 billion more for fuel in calendar year 2008. As a result, the U.S. airline industry lost over \$9.4 billion dollars in 2008, according to the ATA. Fuel hedges delayed this impact for some carriers. However, with revenues under pressure from the recession, the impact on profitability again will be just as severe if not more so. The scale of this shock may be larger than the shock created by the evaporation of demand immediately following September 11th.

The airlines have responded to the changing nature of the industry by furloughing employees, negotiating significant wage reductions, deferring aircraft deliveries, streamlining operations, and

improving productivity. The legacy airlines have also shown renewed interest in consolidation to create revenue enhancements and cost-savings synergies to better adapt to the current economic environment.

Aviation Security

With enactment of the ATSA in November 2001, the Transportation Security Administration (“TSA”) was created and established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act also permits the deployment of air marshals on all flights and requires air marshals on all “high-risk” flights. To finance these federal security services, the ATSA provides for payment by the airlines of approximately \$700 million, estimated to be the cost of providing such services prior to the events of September 11th, and imposes a passenger fee of \$2.50 for each flight segment, not to exceed \$5.00 per one-way trip.

In November 2002, Congress enacted the Homeland Security Act, which created the Department of Homeland Security (“DHS”) to accomplish several primary goals: (1) to prevent terrorist attacks within the United States, (2) reduce the nation’s vulnerability to terrorism, (3) minimize the damage of and assist in the recovery from terrorist attacks that do occur, and (4) monitor connections between illegal drug trafficking and terrorism and coordinate efforts to sever such connections. The TSA is now a part of the DHS.

The Homeland Security Act extended the federal government’s guarantee of war-risk insurance to airlines through February 15, 2007, which was further extended by the Secretary of Transportation through December 31, 2013. The Homeland Security Act caps the total premium paid by any airlines for war-risk insurance at no more than twice the premium the airline was paying the U.S. Department of Transportation (the “DOT”) for its third-party policy as of June 19, 2002. The Homeland Security Act also requires that carriers include methods of self-defense within their security training programs for flight attendants. The Homeland Security Act also requires DHS to establish a program for arming pilots, although participation in the program remains voluntary.

Availability of Information Concerning Individual Airlines

Certain of the airlines or their parent corporations operating at the Airport, including JetBlue, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, as such are required to file periodic reports, including financial and operational data, with the Securities and Exchange Commission (“SEC”). All such reports and statements can be inspected in the Public Reference Room of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, NW, Washington, DC 20549, and at the SEC’s regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661-2511 and 233 Broadway, New York, NY 10279. Copies of these reports and statements can also be obtained from the Public Reference Section of the SEC at 450 Fifth Street, NW, Washington, DC 20549, at prescribed rates. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Airlines Statistics at Room 4125, 400 7th Street, SW, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Neither the City nor the Underwriters (as defined herein) undertake any responsibility for and makes no representations as to the accuracy or completeness of the content of information available from

the SEC or the DOT as discussed in the preceding paragraph, including, but not limited to, updates of such information or links to other Internet sites accessed through the SEC's web site.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

JetBlue Airways

JetBlue initiated its low-fare service at the Airport in August 2001. Since then, JetBlue significantly increased air traffic to and from the Airport and helped to establish the Airport as a viable alternative to Los Angeles International Airport for flights from the Los Angeles basin to major east coast cities. JetBlue has also become a competitive participant in the West Coast corridor markets, with nonstop service to six West Coast corridor markets from the Airport with a total of 20 daily flights.

The presence of JetBlue has increased the Airport's ranking of total enplaned and deplaned passengers nationwide from 118th in calendar year 2000 to 75th in calendar year 2008. JetBlue is the dominant air carrier operating at the Airport. JetBlue accounted for approximately 76.5% of passenger enplanements at the Airport in 2008, as well as 29 of the Airport's 41 daily flights. JetBlue accounted for approximately 20% of the Airport's direct revenues (landing fees, charges and rents) in Fiscal Year 2008. When taking into account indirect revenues (parking, rental cars and concessions derived from JetBlue passengers), JetBlue accounted for approximately 53% of the Airport's total revenues (both direct and indirect) in Fiscal Year 2008. See "CERTAIN INVESTMENT CONSIDERATIONS—Dominance of JetBlue Airways at the Airport" and "APPENDIX A—REPORT OF THE AIRPORT CONSULTANT."

JetBlue's SEC filings provide comprehensive financial, operational and other information concerning JetBlue and prospective investors are encouraged to review such filings prior to making an investment decision. Any such filings are not part of this Official Statement, nor have such filings been incorporated by reference herein, and such filings should not be relied upon in deciding whether to invest in the Series 2009 Bonds.

AIRPORT ENVIRONMENTAL MATTERS

General

There are several significant environmental matters that have direct and indirect impacts on the Airport and the Enterprise, some of which are described below. These include mitigation of aircraft noise impacts, hazardous substance cleanup and clean air requirements. Each of these areas is discussed in more detail below.

Generally, the City includes a set of standard terms and conditions in its tenant leases which provides that tenants are responsible for the costs of remediation of hazardous or other regulated material from City-owned property, which includes the Airport, and obligates tenants to comply with all applicable federal, State and municipal laws. However, if a tenant does not comply with these lease requirements or with the requirements of applicable environmental laws, the City would need to seek legal recourse against such tenant and in the interim may become responsible for any required environmental cleanup. The ultimate impact of these environmental factors on the City, the Airport and the Enterprise cannot be determined at this time.

The Airport's most recent environmental impact report was prepared in November 2005 (the "EIR") and focused on, among other things, the environmental impact the Structure would have on the Airport. The findings in the EIR showed that the impact of the Structure, among other projects, on the Airport would not be significant.

Aircraft Noise Impacts

In the State, commercial airports operate under operating permits issued by the California Department of Transportation ("Caltrans"). Airports within the State are regulated under the State of California Aeronautics Act. The State does not regulate noise generation from aircraft. However, State regulations, California Code of Regulations Title 21, beginning at Section 5000 ("Title 21"), define noise standards governing the operation of aircraft and aircraft engines based upon the level of noise acceptable to a reasonable person residing in the vicinity of an airport. Pursuant to Title 21 and the State Aeronautics Act, Caltrans has adopted regulations requiring an airport proprietor that operates an airport with a noise impact area that exceeds specified airport noise standards to apply for and receive a variance, according to specified criteria and procedures. In order to obtain a variance, among other requirements, the airport proprietor must submit a plan showing how the airport will comply with the noise standards.

Airport proprietors can comply with noise standards through implementation of various measures including sound insulation of incompatible structures to reduce the interior noise levels to acceptable levels, acquisition of incompatible properties located within the noise impact areas, and the purchase of noise easements from affected property owners.

The Airport operates under a Noise Ordinance adopted by City Council in 1995. The Noise Ordinance permits air carriers (passenger and all-cargo) to operate a minimum of 41 flights per day and commuter carriers to operate a minimum of 25 flights per day at the Airport. The Noise Ordinance allows the minimum permitted number of flights per day to be increased at the Airport in each operator flight restriction category so long as flights operate at or below annual noise budgets for each class of operator defined in the Noise Ordinance. At no time since adoption of the Noise Ordinance has the City authorized any increase in the minimum number of permitted air carrier or commuter flights at the Airport. For more information on the Noise Ordinance, see "AIRPORT OPERATING INFORMATION—Airport Noise Compatibility Ordinance" herein.

In addition to complying with the Noise Ordinance, the City also takes measures to insulate homes in proximity to the Airport for sound abatement purposes. On October 6, 2009, City Council adopted a plan to soundproof a number of neighboring homes. The project is estimated to cost approximately \$28 million, and is eligible to receive funding through PFCs.

Hazardous Substances

Airport operations involve the storage and use of a number of materials that are defined as hazardous under various federal, state, and local regulations. Petroleum products, predominantly jet fuel, comprise the majority of hazardous materials used at Airport facilities. The majority of these materials are used by the Airport's tenants in the normal course of their operations. However, the City's own operations also include the storage and use of certain hazardous substances. The storage and use of these materials are regulated on the local level by the [City Fire Department and by the State Fire Marshal.]

In addition to regulations related to the safe storage and use of hazardous materials, various federal, state and local agencies exercise responsibility related to the accidental discharge of harmful quantities of these materials to the environment. These agencies include; [the City Fire Department], The State Regional Water Quality Control Board, and The State Department of Toxic Substances Control.

[DISCUSS CITY'S HAZARDOUS MATERIALS MANAGEMENT POLICY, IF ANY]

[The City routinely conducts comprehensive environmental compliance audits of all City and Airport tenant operated facilities to ensure compliance with all applicable regulations. Through these activities, the City has established a data base of all known areas where hazardous materials have been accidentally discharged. The City works cooperatively with the relevant regulatory agency to insure the responsible tenants are remediating the contamination.] [DISCUSS ANY CURRENT REMEDIATION PROGRAMS] [INFO ABOUT BOEING'S REMEDIATION PROGRAM]

[The City maintains an Environmental Services Division comprised of approximately _____ technical professionals. These professionals oversee the implementation of various environmental programs related to hazardous materials.]

Emission Standards

Air emissions associated with airport activities are governed by a number of federal, state and local regulations. Most notable of these are the Federal Clean Air Act of 1990 (the "CAA"), the California Clean Air Act (the "CCAA"), the California Global Warming Solutions Act ("AB32"), and various South Coast Air Quality Management District ("SCAQMD") rules and regulations.

[Federal CAA regulations directly and indirectly impact Airport and Enterprise operations. The Airport is considered a "_____ source" under Title V of the CAA and operates all of its stationary emission sources under a Title V permit. The Title V permit is issued and enforced by the SCAQMD.]

[Airport-related emissions are also regulated indirectly under the General and Transportation Conformity Rule requirements of the CAA. The CAA established National Ambient Air Quality Standards ("NAAQS") for certain air pollutants called criteria pollutants. The Airport sits in the South Coast Air Basin which has been designated as being in "nonattainment" for certain of the federal NAAQS. Under the conformity requirements of the CAA, no federal agency may take an action located within nonattainment areas unless it can be demonstrated that the project conforms to the requisite State Implementation Plan ("SIP") designed to bring the area into attainment. In California, the SIP is prepared by the California Air Resources Board (the "ARB"). The SIP is comprised of local plans developed by local Air Quality Management Districts or Air Pollution Control Districts. The SCAQMD prepares an "Air Quality Management Plan" ("AQMP") for the South Coast Air Basin for inclusion in the SIP every three years. The last AQMP was prepared by the SCAQMD in 2007 and approved by its governing board on June 1, 2007.]

The CCAA established ambient air quality standards ("CAAQS") for certain criteria pollutants which are in many cases more stringent than the federal NAAQS established under the federal CAA. The City is required under the California Environmental Quality Act ("CEQA") to evaluate and to the extent possible to mitigate any air quality impacts related to its proposed actions. For the purpose of determining impacts, the SCAQMD has adopted the CAAQS as thresholds of significance for all projects within the South Coast Air Basin. As part of the Environmental Impact Report prepared under CEQA, the City conducted an extensive air quality analysis which was published in the final Environmental Impact Report.

[PARAGRAPH ABOUT MOST RECENT AIR QUALITY FINDINGS FOR THE AIRPORT]

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the Series 2009 Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Series 2009 Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Series 2009 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Rate Covenant Not a Guarantee; Failure To Meet Projections

The ability of the City to pay the principal of and interest on the Series 2009 Bonds depends on the ability of the City to generate Revenues in the levels required by the Indenture. Although, as more particularly described herein, the City expects that sufficient revenues will be generated through the imposition and collection of the fees, rents charges and other Revenues described herein, there is no assurance that such imposition of fees, rents charges or other Revenues will result in the generation of Net Revenues in the amounts required by the Indenture. As a result, the rate covenant set forth in the Indenture does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the Series 2009 Bonds.

The City can provide no assurances that operation of the Rate Covenant set forth in the Indenture will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. If the Rate Covenant set forth in the Indenture would require the City to increase airline rates and charges in order to provide sufficient funds to make payments on the Series 2009 Bonds, but the increased airline rates or charges would not be reasonable, then the City will not be able to increase such rates or charges and would be required to increase non-airline rates and charges or take other actions to meet the Rate Covenant. Under such circumstances there could be delays or reductions in payments on the Series 2009 Bonds. See “—Federal Law Affecting Airport Rates and Charges” below.

In addition, the financial forecasts contained in the Airport Consultant’s Report are based on a number of assumptions. Changes in circumstances could have a material adverse impact on the ability of the City to pay the principal of and interest on the Series 2009 Bonds.

Dominance of JetBlue Airways at the Airport

JetBlue is the dominant air carrier operating at the Airport, which serves as a secondary hub in JetBlue’s route system. JetBlue currently operates 29 of the 41 daily flight slots operating from the Airport. In 2008, JetBlue accounted for approximately 76.5% of passenger enplanements at the Airport. No other airline accounted for more than 7.9% of passenger enplanements at the Airport in 2008.

JetBlue accounted for approximately 20% of the Airport’s direct revenues (landing fees, charges and rents) in Fiscal Year 2008. When taking into account indirect revenues (parking, rental cars and concessions derived from JetBlue passengers), JetBlue accounted for approximately 53% of the Airport’s total revenues (both direct and indirect) in Fiscal Year 2008.

The City has no information regarding the financial condition of JetBlue other than from SEC filings and press releases made by JetBlue. Any such information is not part of this Official Statement, nor has such information been incorporated by reference herein, and such information should not be relied upon in deciding whether to invest in the Series 2009 Bonds. See “THE AVIATION INDUSTRY AND THE AIRLINES—JetBlue Airways.” No assurances can be given concerning the present or future financial viability of JetBlue.

Any significant financial or operational difficulties incurred by JetBlue may have a material adverse effect on the Airport and the Enterprise, although financial or operational difficulties by any of the other air carriers also may, whether directly or indirectly, have an adverse impact on the Airport and the Enterprise, the effect of which may be material.

No assurance can be given that the Airport will continue as a secondary hub for JetBlue, regardless of JetBlue’s financial condition. In the event JetBlue discontinues or reduces its operations at the Airport, JetBlue’s current level of activity may not be replaced by other carriers, thereby resulting in reduced revenue collections by the Airport and the Enterprise. See “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

Uncertainties of the Airline Industry

The City’s ability to derive revenues from its operation of the Airport and the Enterprise depends on many factors, many of which are not subject to the City’s control.

The financial strength and stability of airlines serving the Airport are key determinants of future airline traffic. Factors that could affect the financial condition of passenger airlines and decisions regarding route networks and operations and service at the Airport and Enterprise include costs the airlines may incur in connection with increased security procedures, staffing and equipment and increased pressure on ticket pricing, as well as escalation of fuel costs. See “THE AVIATION INDUSTRY AND THE AIRLINES—Airline Operating Results and Financial Condition.”

The continued presence of the airlines serving the Airport, and the levels at which that service will be provided are a function of a variety of factors. Future airline traffic at the Airport will be affected by, among other things, the growth or decline in the population and the economy of the Air Trade Area, national, regional and international economic conditions, federal regulatory actions, airline service, air fare prices, and operation of the national air traffic control system. In light of the foregoing, no assurance can be given as to the levels of aviation activity that will be achieved by the Airport. See also “THE AVIATION INDUSTRY AND THE AIRLINES—Airline Operating Results and Financial Condition.”

Effect of Airline Bankruptcies

As previously discussed, the profitability of the airline industry has deteriorated in recent years, with many airlines reporting substantial financial losses and several airlines filing for bankruptcy protection. See “THE AVIATION INDUSTRY AND THE AIRLINES—Airline Operating Results and Financial Condition” above. It is possible that one or more airlines serving the Airport will declare bankruptcy if costs cannot be contained. The City is unable to predict how long any airline in bankruptcy protection will continue operating at the Airport or whether any of these airlines will liquidate in the future. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. It is not possible to predict the impact on the Airport of any future bankruptcies, liquidations or major restructurings of airlines. See “—Uncertainties of the Airline Industry” above and also “THE AVIATION INDUSTRY AND THE AIRLINES.”

In the event of bankruptcy proceedings involving an airline operating at the Airport, the airline or its bankruptcy trustee must determine, within a time period determined by the Bankruptcy Court at its discretion, whether to assume or reject Airport leases or operating agreements. In the event of assumption, the airline would be required to cure any prior defaults and to provide adequate assurance of future performance under the relevant agreements. Rejection of agreements or executory contracts by any airline would give rise to an unsecured claim of the City for damages, the amount of which in the case of a lease is limited by the U.S. Bankruptcy Code. The amounts unpaid as a result of a rejection of an agreement by an airline in bankruptcy, would be passed on to the remaining airlines under their respective agreements. In addition, payments made by an airline in bankruptcy (or by its surety) within 90 days of filing a bankruptcy case could be deemed to be an "avoidable preference" under the Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy, in particular if the debtor posts collateral with its surety. In general, risks associated with bankruptcy include risks of substantial delay in payment or of non-payment and the risk that the City may not be able to enforce any of its remedies under the agreements with a bankrupt airline.

As described under "AIRPORT FINANCIAL MATTERS—PFC Program," the airlines serving the Airport are also required to pay to the Airport PFCs collected from passengers on behalf of the Airport. The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the City) imposing the PFCs, except for any handling or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the City cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at the Airport. The PFC Acts require an airline in bankruptcy protection (except airlines which filed for bankruptcy protection prior to October 1, 2003, including United) to segregate PFC collections from all of its other revenues. It is possible that the City could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the City cannot predict whether an airline operating at the Airport that files for bankruptcy protection would have properly accounted for the PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for the PFCs owed by such airline. PFCs are not pledged to the repayment of the Series 2009 Bonds.

There may be delays in payments of principal of and interest on the Series 2009 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of an airline that could result in delays or reductions in payments on the Series 2009 Bonds. Regardless of any specific adverse determinations in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2009 Bonds.

Effect of Concessionaire Bankruptcies

A bankruptcy of any significant concessionaire at the Airport could also result in delays or reductions in payments of principal of and interest on the Series 2009 Bonds, for reasons similar to those discussed above with respect to airline bankruptcies. Regardless of any specific adverse determinations in a concessionaire bankruptcy proceeding, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2009 Bonds.

Effect of City Bankruptcy

The City is able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. A bankruptcy of the City could result in delays or reductions in payments on the Series 2009 Bonds.

Should the City become the debtor in a bankruptcy case, the holders of the Series 2009 Bonds will not have a lien on Revenues received by the City or the Trustee after the commencement of the bankruptcy case unless such revenues constitute “special revenues” within the meaning of the Bankruptcy Code. “Special revenues” are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used to provide transportation services, as well as other revenues or receipts derived from particular functions of the debtor. While the City believes that the Revenues should be treated as special revenues, no assurance can be given that a court would not find otherwise. If Revenues are not special revenues, there could be delays or reductions in payments on the Series 2009 Bonds. Even if a court determines that Revenues are special revenues, the City will be able to use such revenues to pay operation and maintenance costs of the Airport, notwithstanding any provision of the Indenture or any other agreement to the contrary.

There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Series 2009 Bonds.

Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2009 Bonds.

Regulations and Restrictions Affecting the Airport

The operations of the Airport and the Enterprise are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of September 11th, the Airport also has been required to implement enhanced security measures mandated by the FAA, the DHS and Airport management. See “THE AVIATION INDUSTRY AND THE AIRLINES—Aviation Security Concerns” above.

It is not possible to predict whether future restrictions or limitations on Airport or Enterprise operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the City, or whether such restrictions or legislation or regulations would adversely affect Revenues.

The Airport operates under a Noise Ordinance adopted by City Council in 1995. The Noise Ordinance permits air carriers (passenger and all-cargo) to operate a minimum of 41 flights per day and commuter carriers to operate a minimum of 25 flights per day at the Airport. The Noise Ordinance allows the minimum permitted number of flights per day to be increased at the Airport in each operator flight restriction category so long as flights operate at or below annual noise budgets for each class of operator defined in the Noise Ordinance. At no time since adoption of the Noise Ordinance has the City authorized any increase in the minimum number of permitted air carrier or commuter flights at the Airport. For more information on the Noise Ordinance, see “AIRPORT OPERATING INFORMATION—Airport Noise Compatibility Ordinance” herein.

Federal Law Affecting Airport Rates and Charges

In general, federal aviation law requires that airport fees charged to airlines and other aeronautical users be reasonable and that in order to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. Pursuant to the requirements of the 1994 Aviation Act the USDOT and FAA have promulgated regulations setting forth an expedited hearing process to be followed in determining the reasonableness of the fees charged to airlines and other aeronautical users.

The City is not aware of any formal dispute involving the Airport over any existing rates and charges. The City believes the rates and charges it imposes upon air carriers, foreign air carriers and other aeronautical users, and the rates and charges methodology utilized for the Rate Ordinance, are reasonable and consistent with federal law and applicable FAA regulations.

However, there can be no assurances that one or more airlines will not challenge the rates established by the City with respect to the Rate Ordinance or, if such a challenge were to be brought, that it would not be successful. A successful challenge to the rates set forth in the Rate Ordinance could limit the ability of the City to charge the airlines and other aeronautical rates required by the provisions of the Indenture and would require the City to increase rates and fees charged to non-aeronautical users, which could have a material adverse impact on the financial condition of the Enterprise.

The City can provide no assurances that that the operation of the rate covenant set forth in the Indenture will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. If the rate covenant set forth in the Indenture would require the City to increase aeronautical rates and charges in order to provide sufficient funds to make payments on the Series 2009 Bonds, but the increased rates or charges would not be reasonable, then the City will not be able to increase such rates or charges and would require the City to increase rates and charges to non- aeronautical users (such as automobile parking, rental cars, terminal concessions, and other nonairline tenants). Under such circumstances there could be delays or reductions in payments on the Series 2009 Bonds.

Considerations Regarding Series 2009C Bonds (“Build America Bonds”)

The City currently intends to irrevocably elect to treat the Series 2009C Bonds as “Build America Bonds” for purposes of the Code. Subject to the City’s compliance with certain requirements under the Code, the City expects to receive Federal Direct Payments. Any Federal Direct Payments received by the City are not included in Revenues and have not been pledged to the payment of debt service on the Series 2009 Bonds. Such Federal Direct Payments do not constitute a full faith and credit guaranty of the United States but are required to be paid by the United States Treasury under the Code.

The City’s receipt of Federal Direct Payments is subject to certain requirements including the filing of a form with the Internal Revenue Service prior to each Interest Payment Date. The City makes no assurance regarding future legislative or policy changes or the netting of other tax liabilities against Federal Direct Payments by the United States Treasury which may affect the amount or receipt of the Federal Direct Payments. If the Federal Direct Payments are reduced or eliminated as a result of a change in the law, the City may elect to redeem the Series 2009C Bonds. See “—Redemption Provisions— Extraordinary Optional Redemption of the Series 2009C Bonds.” No holder of a Series 2009C Bond will be entitled to a tax credit with respect to the Series 2009C Bonds. See “TAX MATTERS.”

Additional Obligations Can Be Issued Without Bondholder Consent

Under the Master Senior Indenture the City is permitted to issue additional obligations without obtaining any consent from any holder of existing Series 2009 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS—Additional Bonds.” Such newly issued obligations may be junior to, or on a parity with the Series 2009 Bonds, as long as the requirements of the Indenture are satisfied. Any such additional obligations may be secured by the trust estate and thus an increased amount of debt will be outstanding, but the amount of collateral for those obligations will not be increased. Certain of the conditions for the issuance of additional obligations relate to financial projections regarding the future operations of the Airport and the Enterprise. The City can provide no assurance that such projections will be achieved. If such projections are not achieved, there may be insufficient Revenues to make the required payments on all of the Series 2009 Bonds, unless airport rates and charges are increased. The City, however, may be unable to increase airport rates and charges as a result of federal law that requires all airport rates and charges to be reasonable. See “—Federal Law Affecting Airport Rates and Charges” above. Under such circumstances, there could be delays or reductions in payments on the Series 2009 Bonds.

Factors Affecting Capital Improvement Program

As described herein, the City is undertaking the CIP with respect to the Airport. The City has entered into and will enter into agreements for the construction of such capital improvements. See “AIRPORT CAPITAL IMPROVEMENT PROGRAM.” The City anticipates that such contracts will be subject to adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The estimated costs of, and the projected schedule for, the capital improvement plan are subject to a number of uncertainties. The ability of the City to complete the CIP may be adversely affected by various factors including: (a) estimating errors; (b) design and engineering errors; (c) changes to the scope of the projects, including changes to federal security regulations; (d) delays in contract awards; (e) material and/or labor shortages; (f) unforeseen site conditions; (g) adverse weather conditions and other force majeure events; (h) contractor defaults; (i) labor disputes; (j) unanticipated levels of inflation; and (k) environmental issues. No assurance can be made that the existing projects in the CIP will not cost more than the current budget for these projects. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs per enplaned passenger to the airlines, thereby making the Airport less economically competitive. There can be no assurances that significant increases in costs over the amounts projected by the City will not materially adversely affect the financial condition or operations of the Airport or the Enterprise.

Report of the Airport Consultant

The Airport Consultant’s Report included as Appendix A to this Official Statement contains certain assumptions and forecasts. The Airport Consultant’s Report should be read in its entirety for a discussion of historical and forecast results of the Airport and the assumptions and rationale underlying the forecasts. As noted in the Airport Consultant’s Report, any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the projections contained in the Airport Consultant’s Report or that may be contained in any future certificate of the City or a consultant are not necessarily indicative of future performance, and neither the Airport Consultant nor the City assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing

decisions of the City are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2009 Bonds are cautioned not to place undue reliance upon the Airport Consultant's Report or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues, PFCs and federal grants may be materially less than expected and consequently, the ability of the City to make timely payment of the principal of and interest on the Series 2009 Bonds may be materially adversely affected.

Neither the City's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenue forecast.

Impact of Potential Earthquakes

Generally, seismic activity occurs on a regular basis within the State. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential damage to property located at or near the center of such seismic activity. A serious earthquake could result in damage within the City and to roads, bridges, and other property, including the Airport. Damage to the Airport could include pavement displacement (which could, in the worst case, necessitate the closing of one or more runways for extended periods of time), distortions of pavement grades, breaks in utility, loss of water supply, drainage and sewage lines, displacement or collapse of buildings and the rupture of gas and fuel lines. The facilities of the Airport were each designed to the seismic standards existing at the later of the time of original construction or renovation. However, there can be no assurances that damage resulting from an earthquake will not materially adversely affect the financial condition or operations of the Airport or the ability of the City to generate Net Revenues in the amounts required by the Indenture.

Climate Change Issues

Climate change concerns are leading to new laws and regulations at the federal and state levels that could have a material adverse effect on airlines operating at the Airport and could also affect ground operations at airports.

The U.S. Environmental Protection Agency ("EPA") very recently has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On April 24, 2009, EPA published a proposed "endangerment and cause or contribute finding" under the Clean Air Act. In the proposed finding, EPA declared that the weight of scientific evidence "requires" a finding that it is very likely that the six identified GHGs—carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride—cause global warming, and that global warming endangers public health and welfare. The proposed rule also finds that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. If the proposed rule becomes final, EPA would be required to regulate emissions of certain GHGs from motor vehicles. The Clean Air Act regulates aircraft emissions under provisions that are parallel to the requirements for motor vehicle emissions. Accordingly, EPA may elect or be forced by the courts to regulate aircraft emissions as a result of this endangerment finding.

Regulation by the EPA can be initiated by private parties or by governmental entities other than EPA. In 2007, several states, including California, petitioned EPA to regulate GHGs from aircraft. On July 30, 2008, EPA issued an Advanced Notice of Proposed Rulemaking (“ANPR”) relating to GHG emissions and climate change. Part of the ANPR requested comments on whether and how to regulate GHG emissions from aircraft. While EPA has not yet taken any action to regulate GHG emissions from aircraft, the request for comments and proposed rule on motor vehicles may eventually result in such regulation.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California recently passed Assembly Bill 32, the Global Warming Solutions Act, which requires the statewide level of GHGs to be reduced to 1990 levels by 2020. A recently proposed federal bill, the American Clean Energy and Security Act of 2009, would, if passed, amend the Clean Air Act to require regulation of aircraft GHG emissions, require a reduction in emissions from transportation fuels including jet fuel, and generally would cap GHG emissions.

The City is unable to predict what federal and/or state laws and regulations with respect to GHG emissions will be adopted, or what effects such laws and regulations will have on airlines serving the Airport or on Airport or Enterprise operations. The effects, however, could be material.

Economic Conditions

Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. In addition, traffic at the Airport will depend in part on the economic conditions in the State and local service area. Since 2006, the rate of economic growth in the U.S. has slowed considerably, primarily due to losses in real estate values and tightening of credit in financial markets. Starting in September 2008 and continuing thereafter, there have been significant and dramatic changes in the financial markets. The Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) were taken over by the federal government to prevent their collapse. Several U.S. commercial and investment banks declared bankruptcy, were acquired by other financial institutions, combined with other financial institutions or sought huge infusions of capital. The volatility in the capital markets led the U.S. government to intervene by making funds available to certain institutions, taking over the ownership of others and assuming large amounts of troubled financial instruments in exchange for imposing greater regulation over certain institutions in order to restore consumer confidence in the nation’s financial markets. The short and long term effects of these developments on the broader economy are not known at this time. There can be no assurances that continuing weakness in the national, state and/or local economy will not have an adverse effect on the air transportation industry, and on the Enterprise.

Pandemic

On April 25, 2009, the Director-General of the World Health Organization convened the Emergency Committee in compliance with International Health Regulations (2005) to assess an outbreak of influenza A (H1N1) or the “Swine Flu” in the United States and Mexico. Since that time, the Director-General has increased the level of influenza pandemic alert several times. (Subsequent published reports indicate that Swine Flu cases occurred throughout the United States and Europe.) The Director-General recommended against restricting international travel and advocated mitigation measures against the virus rather than attempts at containment. Current conditions relating to the Swine Flu, or future outbreaks of Swine Flu or other communicable diseases, however, could result in a reluctance to travel on a discretionary or non-business basis, including for vacations.

California High Speed Rail

The California High Speed Rail Authority is pursuing a statewide high speed rail system in California. Phase 1 of the system will be from Anaheim to Los Angeles then through California's Central Valley, and through the Pacheco Pass to the San Francisco Bay Area. Phase 2 will include extension to Sacramento, California, and San Diego, California. As of July 2008, all program-level environmental review work has been completed. The authority is now undertaking the project-level review and approval process. On November 4 2008, California voters approved a ballot initiative that allows the State to issue \$9.95 billion in bonds for transit and other projects, \$9.0 billion of which will go for development of the statewide high speed rail system. The California High Speed Rail Authority is currently applying for a share of the \$8 billion in federal stimulus funding designated for high speed rail projects. If sufficient funds become available, the Authority expects that Phase 1 of the project could be completed in 10 years.

The California High Speed Rail Authority plans to price its fares below air fares. The impact of the high speed rail system on the Airport cannot be determined at this time.

The California Nevada Super Speed Train Commission (created by California and Nevada legislatures) was formed to plan for a high speed rail route to connect Las Vegas, Nevada, to Anaheim, California, with stops in Ontario, Victorville, Barstow (California) and Primm (Nevada) using a magnetic levitation system. The commission recently received \$45 million for the SAFETEA-LU Technical Corrections Act of 2008, of which the commission will need to provide 20 percent matching funds. Work on the environmental impact statement is continuing, as is design/engineering work and preparation of cost estimates.

Fuel Costs and Availability

Fuel costs comprise a significant portion of an airline's operating costs. Fluctuations in the price of fuel significantly affect the financial performance of all airline companies. Fuel supply and the resultant market prices are sensitive to disruptions resulting from international political and military conflicts. Continued or new hostilities in the Middle East or other petroleum producing regions could dramatically impact the price and availability of aviation fuel.

Enforceability of Remedies; Limitation on Remedies

As discussed above under "SECURITY FOR BONDS—Events of Default and Remedies; No Acceleration," there is no right to acceleration of payments to bondholders under Indenture and bondholders may be required to make a separate claim for each semiannual payment not paid. Further, the remedies available to the owners of the Series 2009 Bonds upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions that are in many instances subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Indenture may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Series 2009 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2009 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

TAX MATTERS

Tax-Exempt Series 2009 Bonds

General. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax. In the further opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2009B Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax, but is included in adjusted current earnings of certain corporations for purposes of the federal alternative tax. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2009A Bonds and the Series 2009B Bonds (collectively, the "Tax-Exempt Series 2009 Bonds"). Failure to comply with such requirements could cause interest on the Tax-Exempt Series 2009 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Series 2009 Bonds. The City has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Tax-Exempt Series 2009 Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2009B Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Tax-Exempt Series 2009 Bonds may otherwise affect the federal income tax liability of the owners of the Tax-Exempt Series 2009 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Tax-Exempt Series 2009 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Tax-Exempt Series 2009 Bonds.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Series 2009 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Tax-Exempt Series 2009 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Tax Treatment of Original Issue Discount. The Tax-Exempt Series 2009 Bonds maturing in _____ (collectively, the “Discount Bonds”) are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described under “—General” above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Tax Treatment of Original Issue Premium. The Tax-Exempt Series 2009 Bonds maturing in _____ (collectively, the “Premium Bonds”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Series 2009C Bonds (Federally Taxable)

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Series 2009C Bonds. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal

with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are “U.S. holders” (as defined below) who will hold the Series 2009C Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the Series 2009C Bonds.

As used herein, a “U.S. holder” is a “U.S. person” that is a beneficial owner of a Series 2009C Bond. A “non U.S. holder” is a holder (or beneficial owner) of a Series 2009C Bond that is not a U.S. person. For these purposes, a “U.S. person” is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions.

General. Interest on the Series 2009C Bonds (including original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes. Payments of interest with respect to the Series 2009C Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. Potential holders of the Series 2009C Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the Series 2009C Bonds.

Characterization of the Series 2009C Bonds as Indebtedness. For federal income tax purposes, the Series 2009C Bonds will be treated as indebtedness of the City. The owners of the Series 2009C Bonds, by purchasing the Series 2009C Bonds, will be deemed to have agreed to treat the Series 2009C Bonds as indebtedness of the City for federal income tax purposes. The City intends to treat the Series 2009C Bonds as its indebtedness for tax and financial accounting purposes.

Sale or Exchange of Series 2009C Bonds. If a Bondholder sells a Series 2009C Bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the Bondholder’s basis in such Series 2009C Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than twelve months is 15%. However, if a Series 2009C Bond was subject to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income. In February of 2009, the President proposed increasing the long-term capital gains rate to 20%. Neither the City nor Co-Bond Counsel can predict whether this increase will receive Congressional approval.

Original Issue Discount. If the Series 2009C Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument’s yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest (as defined below) allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

A purchaser (other than a person who purchases a Series 2009C Bond upon issuance at the issue price) who buys a Series 2009C Bonds at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the Series 2009C Bonds which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of the market discount provisions of the Code indicate that the same prepayment assumption used to calculate original issue discount should be utilized. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Series 2009C Bonds.

Owners of Series 2009C Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning such Series 2009C Bonds.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Series 2009C Bonds if the purchasers, upon issuance, fail to supply the applicable party or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fail to provide the applicable party with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Internal Revenue Service and to each purchaser setting forth the amount of interest paid with respect to the Series 2009C Bonds and the amount of tax withheld thereon.

State, Local or Foreign Taxation. No representations are made regarding the tax consequences of purchase, ownership or disposition of the Series 2009C Bonds under the tax laws of any other state, locality or foreign jurisdiction (except as provided in “—Exemption Under California State Law” below). Investors considering an investment in the Series 2009C Bonds should consult their own tax advisors regarding such tax consequences.

Circular 230. To ensure compliance with Treasury Circular 230, holders of the Series 2009C Bonds should be aware and are hereby put on notice that: (a) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the Series 2009C Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

Exemption Under California State Law

Bond Counsel is of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2009 Bonds is exempt from State personal income taxes.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2009 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. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2009 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2009 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2009 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2009 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2009C Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to Title I of ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Series 2009C Bond could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as individual retirement accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the City or any broker dealer of the Series 2009C Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2009C Bonds are acquired by such plans or arrangements with respect to which the City or any broker dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2009C Bonds. The sale of the Series 2009C Bonds to a plan is in no respect a representation by the City or the Underwriters of the Series 2009C Bonds that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. By its acceptance of a Series 2009C Bond, each purchaser will be deemed to have represented and warranted that either (i) no “plan assets” of any ERISA Plan have been used to purchase such Series 2009C Bond, or (ii) the Underwriters are not a “party in interest” with respect to the “plan assets” of any ERISA Plan used to purchase such Series 2009C Bond, or (iii) the purchase and holding of such Series

2009C Bonds is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption. Any plan proposing to invest in the Series 2009C Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance, sale, execution, or delivery of the Series 2009 Bonds or in any way contesting or affecting the validity of the Series 2009 Bonds or any proceedings of the City taken with respect to the issuance or sale thereof, or the power of the City to collect the Net Revenues pledged to the payment of the Series 2009 Bonds.

The operation of the Airport and the Enterprise gives rise to litigation from time to time, and the City is involved in various pending litigation matters. Although contemporaneous adverse awards in a number of pending matters which are not covered by insurance or payable from federal grants may result in increased rents, rates and charges for the use of the Airport, including amounts payable by the Signatory Airlines, the possibility is remote. Even in such event, the City believes that such awards would not have a material adverse affect on the ability of the City to meet its obligations under the Series 2009 Bonds.

RATINGS

[REVISE IF BOND INSURANCE OBTAINED]

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") are expected to assign ratings of "[]," "[]" and "[]," respectively to the Series 2009 Bonds.

Such rating reflects only the views of Fitch, Moody's and S&P and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investor Services, 1 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2009 Bonds. Except as will be set forth in the Continuing Disclosure Certificate (see "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a form of the Continuing Disclosure Certificate), neither the City nor the Underwriters will undertake any responsibility either to bring to the attention of the registered owners of the Series 2009 Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

UNDERWRITING

The Series 2009 Bonds are being purchased by J.P. Morgan Securities Inc. ("J.P. Morgan") and E. J. De La Rosa & Co. Inc. (collectively, the "Underwriters") from the City at a price of \$ _____ (representing the par amount of the Series 2009 Bonds, [plus/minus] a net original issue

[premium/discount] of \$ _____, less an underwriters' discount of \$ _____), subject to the terms of a purchase contract (the "Purchase Contract"), between the Underwriters and the City. The Purchase Contract provides that the Underwriters will purchase all of the Series 2009 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions.

The initial public offering price of the Series 2009 Bonds set forth on the inside of the front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2009 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover hereof.

J.P. Morgan has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings including the Series 2009 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan will share a portion of its underwriting compensation with respect to the Series 2009 Bonds with UBS Financial Services Inc.

CONTINUING DISCLOSURE

To permit the Underwriters to comply with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), the City will covenant and agree for the benefit of the holders or Beneficial Owners of the Series 2009 Bonds in the First Supplemental Senior Indenture to comply with the provisions of a Continuing Disclosure Certificate to be executed by the Senior Director of Finance and Administration of the City in connection with the delivery of the Series 2009 Bonds. See "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE" for the detailed provisions of the City's undertaking with respect to continuing disclosure, including the specific nature of the annual financial information and operating data to be provided on an annual basis and the events as to which notice is to be given, if material.

Breach of the City's continuing disclosure undertaking in the Continuing Disclosure Certificate will not constitute a default under the First Supplemental Senior Indenture. The sole and exclusive remedy of any holder or beneficial owner of the Series 2009 Bonds for enforcement of the provisions of the Continuing Disclosure Certificate will be an action for mandamus or specific performance to cause the City to comply with its obligations thereunder.

Within the past five years, the City has been in compliance with all continuing disclosure undertakings previously entered into by it pursuant to the Rule.

FINANCIAL ADVISOR AND AIRPORT FINANCIAL CONSULTANT

The City has engaged Public Financial Management Inc. as financial advisor (the "Financial Advisor") and Frasca & Associates, L.L.C., as airport financial consultant (the "Airport Financial Consultant"), in connection with the authorization, issuance and sale of the Series 2009 Bonds. Under the terms of their engagements, the Financial Advisor and the Airport Financial Consultant are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT AUDITORS

The general purpose financial statements of the City as of September 30, 2008 and 2007 and for the years then ended, included in this Official Statement as APPENDIX B, have been audited by KPMG LLP, independent auditors, as stated in their report appearing in APPENDIX B. KPMG LLP was not requested to consent to the inclusion of its report in APPENDIX B and it has not undertaken to update its report 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 (including the Airport Consultant's Report), and no opinion is expressed by KPMG LLP with respect to any event subsequent to the date of its report.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the validity and enforceability of the Series 2009 Bonds are subject to the approval of Kutak Rock LLP, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney and Kutak Rock LLP, Disclosure Counsel. Certain matters will be passed upon for the Underwriters by their counsel Hawkins Delafield & Wood LLP, Los Angeles, California.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon the delivery of the Series 2009B Bonds, the Verification Agent will deliver a report stating that the firm, at the request of the City, has verified (a) the mathematical accuracy of the computations of the maturing principal and interest on the investments and moneys included in the Escrow Fund to, pay the interest on the Refunded Obligations on [____], 2009 and to pay all principal, redemption premium and interest due on the Refunded Obligations on [____], 2009, and (b) the mathematical calculations of the yield on the Series 2009B Bonds and the yield of the investments made with the proceeds of the Series 2009B Bonds and other moneys to be deposited to the Escrow Fund.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City. So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

CITY OF LONG BEACH, CALIFORNIA

By _____
Patrick H. West, City Manager

APPENDIX A
REPORT OF THE AIRPORT CONSULTANT

[Insert Airport Consultant Report]

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE
AIRPORT ENTERPRISE FUND FOR THE
YEAR'S ENDED SEPTEMBER 30, 2008 AND 2007**

[Insert Financial Statements]

APPENDIX C

**CERTAIN DEFINITIONS
AND SUMMARIES OF THE MASTER SENIOR INDENTURE
AND THE FIRST SUPPLEMENTAL SENIOR INDENTURE**

[Insert APPENDIX C]

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "*Certificate*") is executed and delivered by the City of Long Beach, California (the "*City*") in connection with the issuance of its City of Long Beach, California Senior Airport Revenue Bonds, Series 2009A (the "*Series 2009A Bonds*"), its City of Long Beach, California Senior Airport Revenue Refunding Bonds, Series 2009B (the "*Series 2009B Bonds*") and its City of Long Beach, California Senior Airport Revenue Bonds, Series 2009C (the "*Series 2009C Bonds*," and together with the Series 2009A Bonds and the Series 2009B Bonds, the "*Series 2009 Bonds*"). The Series 2009 Bonds will be issued pursuant to the Master Trust Indenture, dated as of [] 1, 2009, as amended (the "*Master Senior Indenture*"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), and the First Supplemental Trust Indenture, dated as of [] 1, 2009 (the "*First Supplemental Senior Indenture*," and together with the Master Senior Indenture, the "*Indenture*"), by and between the City and the Trustee. Additionally, the Series 2009 Bonds have been authorized by Resolution No. [] adopted by the City on November 3, 2009 (the "*Resolution*"). The Series 2009 Bonds are being issued under and in accordance with the Charter of the City of Long Beach and Sections 3.52.110 et seq. of the Long Beach Municipal Code.

In consideration of the purchase of the Series 2009 Bonds by the Participating Underwriter (as defined below), the City covenants and agrees as follows:

Section 1. Purpose of the Certificate. This Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Series 2009 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

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

"*Beneficial Owner*" means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2009 Bonds (including persons holding Series 2009 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2009 Bonds for federal income tax purposes.

"*Dissemination Agent*" means the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*EMMA System*" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"*Fiscal Year*" shall mean the one-year period ending on September 30 of each year or such other period of 12 months designated by the City as its fiscal year.

"*GASB*" shall mean the Governmental Accounting Standards Board.

“*Holders*” means either the registered owners of the Series 2009 Bonds, or if the Series 2009 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

“*Listed Events*” means any of the events listed in Section 5(a) of this Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“*Obligated Person*” means the City and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Airport System for the prior two Fiscal Years.

“*Official Statement*” means the Official Statement, dated [____], 2009, prepared and distributed in connection with the initial sale of the Series 2009 Bonds.

“*Participating Underwriter*” means any of the original underwriters of the Series 2009 Bonds required to comply with the Rule in connection with the offering of the Series 2009 Bonds.

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

“*SEC*” means the United States Securities and Exchange Commission.

“*State*” means the State of California.

Section 3. Provision of Annual Reports.

(a) The City shall provide, or shall cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Certificate by not later than 180 days after the end of the City’s Fiscal Year in each Fiscal Year. The City’s first Annual Report shall be due [April 28], 2010. Not later than 15 Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate. The audited financial statements of the City may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted within 30 days from the date on which such financial statements become available. If the Fiscal Year changes, the City, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the City is unable to provide to the MSRB or the Dissemination Agent (if other than the City), an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (or the City, as applicable) shall confirm in writing to the City that the Annual Report has been filed as required hereunder, stating the date filed.

(e) The City acknowledges that JetBlue Airways ("*JetBlue*") is the only Obligated Person other than the City at present and is required by federal law to file annual reports with the SEC. The City takes no responsibility for the accuracy or completeness of such filings by JetBlue or by any future Obligated Person. Unless no longer required by the Rule to do so, the City agrees to use its reasonable best efforts to cause JetBlue (to the extent JetBlue is not otherwise required under federal law to do so), and any future Obligated Person, to make Annual Reports available as contemplated by this Section 3. Any change in Obligated Persons shall be reported by the City in connection with the Annual Reports.

Section 4. Content of Annual Reports.

(a) The City's Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Series 2009 Bonds, unless otherwise noted):

(i) Audited financial statements of the City, updated to incorporate information for the most recent Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by GASB, and as further modified according to applicable State law. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the City, and the audited financial statements shall be filed in the same manner as the Annual Report within 30 days from when they become available;

(ii) Table I — "Debt Service Requirements for Series 2009 Bonds" (only if such information changes);

(iii) Table III — "Historical Enplanements" (only information pertaining to the Airport);

(iv) Table IV — "Airlines Serving the Airport" (as of the first day of the current Fiscal Year);

(v) Table V — "Historical Enplanements by Airline";

(vi) Table VII — "Historical Landed Weight by Airline";

(vii) Table VIII — "Historical Operating Results" (in the event such table is not ready to be filed with the Annual Report, such table must be filed within 30 days from when such information becomes available);

(viii) Table IX — "Historical Airline Payments Per Enplaned Passenger"; and

(ix) Table X — “Historical Debt Service Coverage”; and

(b) All or any portion of the information of the Annual Report may be incorporated in the Annual Report by cross reference to any other documents which have been filed with the MSRB [or the SEC].

(c) Information contained in an Annual Report for any Fiscal Year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such Fiscal Year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such Fiscal Year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB [or the SEC]. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events, if material:

- (i) principal and interest payment delinquencies;
- (ii) nonpayment related defaults;
- (iii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2009 Bonds;
- (vii) modifications to rights of bondholders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2009 Bonds; and
- (xi) rating changes.

(b) Whenever a Listed Event occurs with respect to the Series 2009 Bonds, the City shall as soon as possible, but in no event more than ten (10) days following such event, determine if such event would be material under applicable federal securities laws.

(c) If the City determines that a Listed Event would be material under applicable federal securities laws, the City shall promptly provide written notice of such occurrence to the Dissemination Agent (if other than the City) or to the MSRB through the EMMA System. If the Dissemination Agent is not the City, upon receipt of written notice of a Listed Event the Dissemination Agent shall promptly provide such notice of a Listed Event to the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2009 Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2009 Bonds, or upon delivery to the Dissemination Agent (if other than the City) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Series 2009 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. From time to time, the City may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the City) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including, but not limited to, attorneys' fees). The Dissemination Agent (if other than the City) shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Certificate.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Series 2009 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2009 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2009 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2009 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of

accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (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 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Series 2009 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent (if other than the City), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture and the sole remedy under this Certificate in the event of any failure of the City or the Dissemination Agent (if other than the City) to comply with this Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Indenture. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2009 Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Holders and beneficial Owners from time to time of the Series 2009 Bonds, and shall create no rights in any other person or entity.

[End of Continuing Disclosure Certificate]

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Certificate this [] day of [], 2009.

CITY OF LONG BEACH, CALIFORNIA

By _____
[Name]
[Title]

[Signature page to Continuing Disclosure Certificate]

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Long Beach, California

Name of Bond Issue: City of Long Beach, California Senior Airport Revenue Bonds, Series 2009A, City of Long Beach, California Senior Airport Revenue Refunding Bonds, Series 2009B and City of Long Beach, California Senior Airport Revenue Bonds, Series 2009C

Date of Issuance: [], 2009

CUSIP: []

NOTICE IS HEREBY GIVEN that the City of Long Beach, California (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated [], 2009, executed by the City for the benefit of the holders and beneficial owners of the above-referenced bonds. The City anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____

CITY OF LONG BEACH, CALIFORNIA

By _____
Authorized Representative

APPENDIX E
FORM OF APPROVING OPINION OF BOND COUNSEL

[Insert APPENDIX E]

APPENDIX F
BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by The Depository Trust Company (“DTC”), New York, NY. Neither the City nor the Underwriters make any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2009 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2009 BONDS UNDER THE RESOLUTION, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2009 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2009 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2009 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2009 Bond certificate will be issued for each maturity of the Series 2009 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 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 Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant,

either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The City has not undertaken any responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on the websites described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

While the Series 2009 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2009 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009 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 Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2009 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in

bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City 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 Series 2009 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2009 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2009 Bonds will be printed and delivered to the registered holders of the Series 2009 Bonds.

The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriters take any responsibility for the accuracy thereof.