



CITY OF LONG BEACH

R-9

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

August 21, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached Resolution authorizing the issuance of Tax and Revenue Anticipation Notes in an amount not to exceed \$25 million, and authorize the City Manager to execute all necessary documents. (Citywide)

DISCUSSION

The Tax and Revenue Anticipation Note (TRAN) is a cash management tool used by public agencies to fund cash flow needs during a fiscal year. A TRAN enables public agencies that receive revenues sporadically throughout the year (e.g., property taxes, property tax in-lieu of vehicle license fees and property tax in-lieu of sales tax) to have the cash on hand needed for expenditures while awaiting the receipt of these revenues. The City annually issues a TRAN and repays it within 13 months. For FY 13, the City expects to receive the proceeds from this issuance on October 2, 2012 and will repay the principal on October 1, 2013.

The General Fund is expected to experience short-term cash needs prior to the receipt of the City's first major property tax payment in December and the General Fund's property tax in-lieu payments in January. To bridge this projected cash need, the attached Resolution provides for the issuance of a TRAN in an amount not to exceed \$25 million.

This matter was reviewed by Assistant City Attorney Charles Parkin on August 2, 2012 and Budget Management Officer Victoria Bell on August 3, 2012.

TIMING CONSIDERATIONS

City Council action is requested on August 21, 2011 to facilitate the sale of the TRAN, which is scheduled for September 13, 2012.

FISCAL IMPACT

The expense for the TRAN issuance is budgeted in the FY 13 Proposed Budget in the Debt Service Fund (DS 600) in the Citywide Activities Department (XC). This transaction will

HONORABLE MAYOR AND CITY COUNCIL

August 21, 2012

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provide the required cash flow to meet the timing of obligations in the City's General Fund. TRANs are tax-exempt notes and, until needed, the proceeds are invested in taxable investments, which may generate a higher market interest rate. As long as the projected cash flow needs are met, the City is permitted to keep, rather than rebate, positive interest earnings. The interest income will partially offset the costs of issuance and interest expense associated with the TRAN.

As of the week ending July 27, 2012, TRAN interest costs were estimated to be approximately 0.30 percent. It is anticipated that the reinvested proceeds from the TRAN will earn approximately 0.40 percent, with the principal amount of the note being repaid by October 1, 2013. The total net cost for the TRAN is estimated at \$377,000; net interest of approximately \$77,000 and issuance cost estimated at \$300,000, which includes legal, underwriting and related fees. Final cost is dependent on the TRAN amount and prevailing market conditions at the time of pricing. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

JG: DSN:EF
K:\EXEC\COUNCIL LETTERS\TREASURY\08-21-12 ccl - FY13 TRAN ISSUANCE.DOC

ATTACHMENT - RESOLUTION

APPROVED:



PATRICK H. WEST
CITY MANAGER

1 RESOLUTION NO.
2

3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH PROVIDING FOR THE ISSUANCE
5 OF 2012-2013 TAX AND REVENUE ANTICIPATION
6 NOTES OF THE CITY OF LONG BEACH, CALIFORNIA
7

8 WHEREAS, in accordance with Article 7.6 of Chapter 4, Part 1, Division 2,
9 Title 5 (commencing with Section 53850 thereof) of the Government Code of the State of
10 California (the "Government Code"), entitled "Temporary Borrowing," the City Council (the
11 "City Council") of the City of Long Beach, California (the "City"), is authorized to issue tax
12 and revenue anticipation notes in order to satisfy the cash flow needs of the City; and

13 WHEREAS, the City Council hereby finds and determines that the City
14 needs to borrow funds in an amount not to exceed \$25,000,000 in its 2012-2013 Fiscal
15 Year (the "Fiscal Year") for authorized purposes of the City, and the City Council desires
16 to authorize for that purpose the issuance of, and offer for sale, tax and revenue
17 anticipation notes of the City in an aggregate principal amount of not to exceed
18 \$25,000,000 (the "Notes"), pursuant to the cited provisions of the Government Code to be
19 applied for any purposes for which the City is authorized to expend moneys; and

20 WHEREAS, the Notes will not be outstanding for more than 12 months from
21 the date on which the Notes are issued, and the maximum anticipated cumulative cash
22 flow deficit of the City to be financed by the Notes in anticipation of taxes and other
23 revenues is expected to occur within six months of the date of issuance of the Notes,
24 determined without excluding any working capital reserve from available amounts, as
25 defined in Treasury Regulation Section 1.148 6(d)(3); and

26 WHEREAS, the City desires to designate the City Treasurer and his
27 designees (each, the "Treasurer") to serve as fiscal agent (the "Fiscal Agent") and as
28 agent for the City in matters relating to the Pledged Revenues, defined below, and also

1 designate The Bank of New York Mellon Trust Company, N.A., to serve as paying agent
2 for the Notes; and

3 WHEREAS, the City desires to appoint Kutak Rock LLP to act as note
4 counsel ("Note Counsel") in connection with the issuance and sale of the Notes and to
5 appoint Public Financial Management, Inc. to act as financial advisor (the "Financial
6 Advisor") in connection with the issuance and sale of the Notes; and

7 WHEREAS, the City desires to obtain competitive bids for the sale of the
8 Notes, and in connection therewith, Note Counsel and the Financial Advisor have
9 prepared and presented to this City Council a form of the Notice of Intention to Sell and a
10 form of Notice Inviting Bids, respectively, for the Notes;

11 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
12 follows:

13 Section 1. Authorization of Issuance of Notes; Terms Thereof. Subject
14 to the conditions set forth in this Resolution, the City Council hereby determines to and
15 shall issue not to exceed \$25,000,000 aggregate principal amount of the City's 2012-
16 2013 Tax and Revenue Anticipation Notes; such Notes shall be in the denominations of
17 \$5,000 or any integral multiple thereof; be dated the date of delivery thereof; shall mature
18 (without option of prior redemption) on a date not more than 12 months from the date of
19 delivery thereof; and shall bear interest, with interest accruing up to but not including the
20 maturity date, payable at maturity and computed on a 30 day month/360 day year basis,
21 at the rate or rates determined at the time of competitive sale of the Notes, but in no
22 event shall the interest rates on the Notes exceed 4.00% per annum. The exact amount
23 of funds to be borrowed pursuant to the authority of this Resolution shall be determined
24 by the Treasurer or his designee prior to the sale of the Notes after consultation with Note
25 Counsel regarding appropriate issue size such that interest on the Notes will not be
26 includible in gross income for federal income tax purposes and shall not exceed
27 \$25,000,000 aggregate principal amount, plus the amount of any original issue premium
28 at which the Notes may be sold. Both the principal of and the interest on the Notes shall

1 be payable, but only upon surrender thereof, in lawful money of the United States of
2 America upon presentation and surrender thereof at the principal office of the Paying
3 Agent, defined below, for the Notes.

4 Section 2. Additional Notes. Pursuant to this Resolution and subject to
5 the terms hereof, the City Council reserves the right to issue additional notes during the
6 Fiscal Year, which additional notes may be secured by a lien on or security interest in the
7 Pledged Revenues; provided, however, that any lien on or security interest in the
8 Pledged Revenues which secures the payment of any such additional notes issued by
9 the City shall be subordinate to the lien on the Pledged Revenues securing the Notes and
10 such subordinate notes shall not be paid unless sufficient funds have been irrevocably
11 set aside in the Repayment Account (as defined herein) to pay in full the Notes at
12 maturity.

13 Section 3. Approval of Notice Inviting Bids. The form of Notice Inviting
14 Bids, attached hereto as Exhibit "A", is hereby approved in the form attached hereto with
15 such changes as shall be acceptable to the Treasurer and as shall be approved as to
16 form by the City Attorney, such approval to be conclusively evidenced by the publication
17 of the Notice Inviting Bids as described below. The Treasurer and the Financial Advisor
18 are hereby authorized and directed to cause the Notice Inviting Bids to be distributed to
19 persons who may be interested in purchasing the Notes.

20 Section 4. Approval of Notice of Intention to Sell. Attached hereto as
21 Exhibit "B" is the form of the Notice of Intention to Sell giving notice of the City's intention
22 to sell the Notes by competitive sale. Pursuant to Section 53692 of the California
23 Government Code, such Notice of Intention to Sell must be published once in The Bond
24 Buyer or other financial publication meeting the requirements of said Section 53692 at
25 least 5 days prior to the date fixed for receipt of sealed proposals for the Notes, or as
26 otherwise set forth on said Section 53692. The Treasurer and the Financial Advisor will
27 subsequent to the adoption of this Resolution by the City Council, publish the Notice of
28 Intention to Sell. We hereby ratify and approve the actions of publishing the Notice of

1 Intention to Sell.

2 Section 5. Authorization to Receive and Accept Bids. The period ending
3 at 8:30 a.m. (Pacific Daylight Time) on the date of September 13, 2012, is hereby
4 approved as the time and date that proposals will be received with respect to the Notes
5 upon the terms and in the manner set forth in the Notice Inviting Bids approved above;
6 provided that the Treasurer is hereby authorized to select such other time(s) and date(s)
7 to receive such proposals as such person shall, in his or her discretion, deem necessary
8 or desirable. The Treasurer, on behalf of the City, is hereby authorized to read such bids
9 in the manner described in the Notice Inviting Bids. The Treasurer is hereby further
10 authorized to award the Notes to the responsible bidder submitting the best bid in
11 accordance with the terms and conditions of the Notice Inviting Bids.

12 Section 6. Form of Notes. The Notes may be issued in bearer form
13 without coupons or, if the Notes are delivered in book entry only form pursuant to Section
14 10 hereof, in registered form, and shall be substantially in the form and substance set
15 forth in the example attached hereto as Exhibit "C", the blanks in said form to be filled in
16 with the appropriate terms and figures.

17 Section 7. Deposit of the Note Proceeds. The moneys representing the
18 proceeds of sale of the Notes shall be deposited pursuant to the direction of the
19 Treasurer into the City's general fund (the "General Fund"). Following such deposit, said
20 proceeds shall be withdrawn and expended by the City for any lawful purpose for which
21 the City is authorized to expend moneys, including, but not limited to, current expenses,
22 capital expenditures and the discharge of any obligation or indebtedness of the City.

23 Section 8. Payment of Notes.

24 A. Source of Payment. The principal amount of the Notes,
25 together with the interest thereon, shall be payable from taxes, income,
26 revenue, cash receipts and other moneys which are received by the City
27 during the Fiscal Year and which are available therefore. Pursuant to
28 Section 53857 of the Government Code, the Notes shall be the general

1 obligations of the City, and to the extent the principal of and interest on the
2 Notes are not paid from the Pledged Revenues (as defined in paragraph (b)
3 below), the Notes shall be paid with interest thereon from any other moneys
4 of the City lawfully available therefore, as provided in this Resolution and
5 otherwise by law.

6 B. Pledged Revenues. As security for the payment of the
7 principal of and interest on the Notes, by this Resolution, the City hereby
8 pledges an amount equal to 33% of the principal amount of the Notes, plus
9 an amount equal to 33% of the interest due on the Notes, from the first
10 unrestricted revenues received by the City in the month ending May 31,
11 2013; an amount equal to 33% of the principal amount of the Notes, plus an
12 amount equal to 33% of the interest due on the Notes, from the first
13 unrestricted revenues received by the City during the month ending June
14 30, 2013; and an amount equal to 34% of the principal amount of the Notes,
15 plus an amount sufficient to pay all remaining interest due on the Notes at
16 maturity, from the first unrestricted revenues received by the City during the
17 month ending July 31, 2013 (collectively, the "Pledged Revenues").

18 Notwithstanding the previous sentence, prior to the publication of the Notice
19 Inviting Bids, the Treasurer or his designee are hereby authorized, at the
20 discretion of the Treasurer or his designee, to approve any adjustment to
21 the dates and amounts of such set asides (but in no event may such set
22 asides occur prior to December 31, 2012), the same being in the best
23 interests of the City, such approval to be conclusively evidenced by the
24 issuance and delivery of the Notes. However, in no event shall the set
25 aside amounts exceed the total principal amount of Notes, plus interest
26 thereon, issued pursuant to this Resolution. The term "unrestricted
27 revenues" shall mean taxes, income, revenue, cash receipts and other
28 moneys of the City, as provided in Section 53856 of the Government Code,

1 which are intended as receipts for the General Fund and which are
2 generally available for the payment of current expenses and other
3 obligations of the City. There is hereby established and created a special
4 reserve general ledger subaccount designated as the "City of Long Beach,
5 California, 2012-2013 Tax and Revenue Anticipation Notes Repayment
6 Account" (the "Repayment Account") to be maintained by the Treasurer on
7 behalf of the City, into which the Treasurer shall promptly cause to be
8 deposited all Pledged Revenues of the City when and as received, without
9 further permission of or instruction by the City Council. The Treasurer may
10 elect for such Pledged Revenues in the Repayment Account to be held by
11 the Fiscal Agent or the Paying Agent. From the dates of receipt by the
12 Fiscal Agent or the Paying Agent, as applicable, of any Pledged Revenues,
13 the City shall have no right, title or interest therein, and the Fiscal Agent
14 shall have the sole right of withdrawal from the Repayment Account
15 hereinafter established for the purposes described in this Resolution.
16 Amounts on deposit in the Repayment Account shall be transferred to the
17 Paying Agent in amounts and at times sufficient to pay principal of and
18 interest on maturing Notes. After amounts in the Repayment Account have
19 been applied to pay principal of and interest on maturing Notes, only
20 amounts remaining and amounts subsequently deposited into the
21 Repayment Account will be available to provide security for the Notes that
22 remain outstanding.

23 The principal of the Notes and the interest thereon shall be a
24 first lien and charge against and shall be payable from the first moneys
25 received by the City constituting the Pledged Revenues, as provided by law.

26 If there are insufficient unrestricted revenues received by the
27 City to permit the deposit into the Repayment Account of the City of the full
28 amount of Pledged Revenues required hereunder to be deposited from

1 unrestricted revenues in a given month, then the amount of any deficiency
2 shall be satisfied and made up from the first additional moneys thereafter
3 received by the City and lawfully available for the repayment of the Notes
4 and the interest thereon.

5 C. Deposit of Pledged Revenues in Repayment Account.

6 Pledged Revenues shall be held by the City in the Repayment Account, and
7 applied as directed in this Resolution. Moneys placed in the Repayment
8 Account shall be held for the sole benefit of the holders of the Notes, and
9 until the Notes and all interest thereon are paid in full or until provision has
10 been made for the payment of the Notes at maturity with interest to such
11 date, the moneys in the Repayment Account shall be applied only for the
12 purposes for which the Repayment Account was created.

13 D. Disbursement and Investment of Moneys in Repayment

14 Account. From the date this Resolution takes effect, all Pledged Revenues
15 shall, when received, be deposited into the Repayment Account. After such
16 date as the amount of the Pledged Revenues deposited in the Repayment
17 Account shall be sufficient to pay in full the principal of and interest on the
18 Notes, when due, any moneys in excess of such amount remaining in or
19 accruing to the Repayment Account shall be transferred by the Fiscal Agent
20 to the General Fund. On the maturity date of the Notes, moneys on deposit
21 in the Repayment Account shall be used, to the extent necessary, to pay
22 the principal of and interest on the Notes and shall be remitted by the Fiscal
23 Agent to the Paying Agent on or before such date.

24 Moneys in the Repayment Account, Note proceeds deposited
25 in the General Fund held by the Fiscal Agent and moneys deposited with
26 and held by the Paying Agent to pay principal and interest on the maturing
27 Notes, shall be invested by or at the direction of the Treasurer in
28 investments pursuant to Section 53601 of the Government Code, in the

1 City's investment portfolio, and in accordance with the investment policies of
2 the City.

3 Section 9. Execution of Notes. The Treasurer is hereby directed to
4 cause to be printed a sufficient number of blank Notes of suitable quality, showing on
5 their face the interest rate applicable thereto. The Treasurer, is hereby authorized to sign
6 the Notes manually or by facsimile, and the City Manager, or any duly designated deputy
7 thereof (each, the "City Manager"), is hereby authorized to sign the Notes manually or by
8 facsimile signature, and the City Clerk, or any duly designated deputy thereof (each, the
9 "City Clerk"), is hereby authorized to countersign the Notes manually or by use of his or
10 her facsimile signature, with at least one of said signatures being manual, and the City
11 Clerk is hereby authorized to affix the seal of the City thereto by facsimile impression
12 thereof, and said officers are hereby authorized to cause the blank spaces on the form of
13 Notes to be filled in prior to initial delivery as may be appropriate. The Notes shall be
14 manually authenticated by the Paying Agent (as defined in Section 13 below).

15 Section 10. Delivery of Notes in Book Entry Only Form. As an alternative
16 to printing, executing and delivering certificated Notes, the City may elect to deliver the
17 Notes in book entry only form by appointing The Depository Trust Company ("DTC"), 19th
18 Floor, 55 Water Street, New York, New York 10041, to act as securities depository for the
19 Notes. In that event, a single Note, substantially in the form of Exhibit "C" hereto,
20 representing all of the outstanding Notes, will be executed and, on the date prior to
21 closing, delivered to DTC. In that event, upon closing, the City shall notify DTC at which
22 time DTC will credit the account of the successful bidder, and process the book entry
23 deliveries to the accounts of the subsequent purchasers of interests in such Notes. The
24 single Note certificate will be lodged with DTC until maturity of such Notes. On the date
25 of maturity of the Notes, the Treasurer shall remit to the Paying Agent or DTC, as
26 appropriate, sufficient funds to pay all outstanding principal and interest due with respect
27 to the Notes.

28 Section 11. Tax Covenants. The City covenants that it will make no use

1 of the proceeds of the Notes or any other amounts that would cause the Notes to be
2 "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended
3 (the "Tax Code"); and, to that end, the City agrees to comply with all requirements of said
4 Section 148 and the Treasury Regulations promulgated thereunder, including restrictions
5 on the use and investment of proceeds of the Notes and certain other amounts and the
6 rebate of a portion of the investment earnings on proceeds of the Notes and certain other
7 amounts, if required, to the United States. The City further covenants to do and perform
8 all acts and things within its power and authority necessary to comply with each
9 applicable requirement of Section 103 and Sections 141 through 150, inclusive, of the
10 Tax Code. In furtherance of the covenants contained in this Section 11, the City agrees
11 to comply with the tax compliance certificate of the City to be delivered concurrently with
12 the issuance and delivery of the Notes. The City covenants that it will take no action that
13 would cause the interest on the Notes to be included in gross income for federal income
14 tax purposes, nor will it refrain from taking action required to maintain the exclusion of
15 interest on the Notes from gross income for federal income tax purposes.

16 Section 12. Approval of Preliminary Official Statement. The form of the
17 Preliminary Official Statement, attached hereto as Exhibit "D", presented to and
18 considered at this meeting of the City Council is hereby approved, with such changes
19 therein as may be approved by the City Manager, with the advice of counsel to the City.
20 The Treasurer is hereby authorized to certify that the Preliminary Official Statement is
21 deemed final for purposes of Rule 15c2 12 of the Securities and Exchange Commission
22 (the "Rule"). The Treasurer and the Financial Advisor are each hereby authorized to
23 cause to be prepared and distributed in both electronic and printed form the Preliminary
24 Official Statement for use in the marketing and sale of the Notes. The City hereby
25 approves the use and distribution of the Preliminary Official Statement by the successful
26 bidder.

27 Section 13. Approval of Official Statement. In connection with the sale
28 and issuance of the Notes, the City Council hereby provides for the preparation,

1 publication, execution and delivery of an Official Statement relating to the Notes in
2 substantially the form of the draft Preliminary Official Statement presented at this meeting
3 of the City Council. The City Manager is hereby authorized and directed to execute and
4 deliver in both electronic and printed form the Official Statement. The execution thereof
5 shall constitute conclusive evidence of the City Council's approval of any and all changes
6 or revisions therein from the form of the Preliminary Official Statement now before this
7 meeting. The City hereby approves the use and distribution of the Official Statement by
8 the successful bidder.

9 Section 14. Delivery of Notes. The City Manager is hereby authorized
10 and directed to deliver the Notes to the successful bidder upon payment therefore in
11 accordance with the Notice Inviting Bids. All actions heretofore taken with respect to the
12 sale and issuance of the Notes are hereby approved, confirmed and ratified, and the City
13 Manager is hereby authorized, confirmed and directed, for and in the name and on behalf
14 of the City, to do any and all things and take any and all actions and execute and deliver
15 any and all certificates, agreements and other documents, which may be deemed
16 necessary or advisable in order to consummate the lawful issuance and delivery of the
17 Notes in accordance with this Resolution.

18 Section 15. Appointment of Fiscal Agent and Paying Agent for the Notes.
19 The Treasurer shall serve as the Fiscal Agent for the Notes. The City hereby appoints
20 The Bank of New York Mellon Trust Company, N.A. as authenticating and paying agent
21 (the "Paying Agent") for the Notes. The form of Paying Agent/Registrar Agreement
22 attached hereto as Exhibit "E" is hereby approved in the form attached hereto with such
23 changes as shall be acceptable to the Treasurer and as shall be approved as to form by
24 the City Attorney. The Treasurer is authorized to execute the final form of the Paying
25 Agent/Registrar Agreement.

26 Section 16. Appointment of Note Counsel and Financial Advisor. Kutak
27 Rock LLP is hereby appointed as Note Counsel for the issuance of the Notes on the
28 terms and conditions approved by the Treasurer and the City Attorney, and payment of

1 services therefore shall be payable from the proceeds of the Notes. Public Financial
2 Management, Inc., is hereby appointed Financial Advisor for the issuance of the Notes on
3 the terms and conditions approved by the Treasurer and the City Attorney, and payment
4 of services therefore shall be payable from the proceeds of the Notes.

5 Section 17. Approval of Continuing Disclosure Certificate. The City
6 Council does hereby covenant and agree, for the benefit of the holders of the Notes, that
7 the City will comply with the provisions of the Rule relating to secondary market and
8 continuing disclosure. Failure of the City to comply with such provisions shall not be
9 considered an event of default with respect to the Notes; however, any holder of the
10 Notes may take such action as may be necessary and appropriate, including seeking
11 mandate or specific performance by court order, to cause the City to comply with its
12 obligations under this provision.

13 The City Council hereby authorizes the City Manager to execute and deliver
14 by and on behalf of the City, for the benefit of the holders of the Notes, a Continuing
15 Disclosure Certificate (as it may be amended from time to time in accordance with the
16 terms thereof, the "Continuing Disclosure Certificate") in form and substance substantially
17 similar to that attached as Exhibit "F", said Continuing Disclosure Certificate to be dated
18 the date of issuance of the Notes, with such changes as shall be acceptable to the
19 Treasurer and as shall be approved as to form by the City Attorney.

20 The City Council shall at all times do and perform all other acts and things
21 necessary or desirable and within its power to assure compliance with the above
22 referenced provisions of the Rule.

23 Section 18. Additional Authorization. The City Manager and Treasurer
24 shall be, and hereby are, authorized and directed to execute the Tax Compliance
25 Certificate and any additional certificates relating to the issuance of the Notes, and to
26 take such other actions as they deem necessary or advisable in order to carry out and
27 perform the purposes of this Resolution, and the execution or taking of such action shall
28 be conclusive evidence of such necessity or advisability.

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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Section 19. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this Resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 2012, by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk

EXHIBIT A
[FORM OF NOTICE INVITING BIDS]

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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NOTICE INVITING BIDS

\$[_____]*
City of Long Beach, California
2012-2013 Tax and Revenue Anticipation Notes

NOTICE IS HEREBY GIVEN that proposals will be received by a representative of the City of Long Beach (the "City") as follows:

Time

Bids will be received on or prior to 8:30 a.m., Pacific Daylight time, September 13, 2012, as established by the City and communicated through *The Bond Buyer* not less than 24 hours prior to the time bids are to be received.

Manner

Bids may only be submitted electronically, through Ipreo's BiDCOMP™/PARITY® electronic bid system ("Ipreo"). No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, facsimile, telegraph or personal delivery) will be accepted. See "Terms of Sale and Electronic Bidding Procedures—Electronic Bidding Process" herein.

For the purpose of purchasing \$[_____]* principal amount of 2012-2013 Tax and Revenue Anticipation Notes (the "Notes"), of the City pursuant to a Resolution adopted by the City Council on August 21, 2012 (the "Resolution"). The Notes will be issued in full conformity with, the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), and under such statute the Notes are general obligations of the City payable solely from taxes, income, revenue, cash receipts, and other moneys of the City attributable to the fiscal year commencing on October 1, 2012 ("Fiscal Year 2012-2013") and legally available therefor.

Issue

The Notes shall be sold in an aggregate principal amount of \$[AMOUNT]* to be designated "City of Long Beach, California, 2012-2013 Tax and Revenue Anticipation Notes." The principal amount of the Notes issued and delivered may be reduced as provided below under "—Purchase Price."

Date, Maturity and Interest Payment Dates

The Notes will be dated their date of delivery, which is expected to be on or about October 2, 2012, and will mature on October 1, 2013.* Interest on the Notes will be payable on October 1, 2013.*

* Preliminary, subject to change.

No Redemption

The Notes are not subject to call and redemption prior to maturity.

Security

The Notes, in accordance with California law, are a general obligation of the City of Long Beach, California, and are payable from taxes, income, revenues, cash receipts and other moneys of the City attributable to the City's 2012-2013 fiscal year commencing October 1, 2012 which are legally available for payment thereof. Certain of said pledged moneys have been specifically pledged to the payment of the principal of the Notes and the interest thereon, to wit: an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending May 31, 2013; an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City during the month ending June 30, 2013; an amount equal to 34% of the principal amount of the Notes, plus an amount sufficient to pay all remaining interest due on the Notes at maturity, from the first unrestricted revenues received by the City during the month ending July 31, 2012.

Repayment Account

The Pledged Moneys shall be deposited by the City and held by the City Treasurer, acting as Fiscal Agent in trust in the Repayment Account and applied as directed under the Resolution. Any money deposited by the Fiscal Agent in the Repayment Account shall be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Account shall be applied only for purposes for which the Repayment Account was created.

Pursuant to the Resolution, all Pledged Moneys shall, when received, be deposited in the Repayment Account, maintained by the City Treasurer, as Fiscal Agent and held in the City Treasury. Amounts deposited by the City in the Repayment Account shall be applied solely for the purpose of paying the principal of and interest on the Notes, although such amounts shall be invested by the City in legal investments as permitted by Section 53601 of the Government Code of the State and/or in the City's investment portfolio and in accordance with the investment policies of the city.

Deposit of Note Proceeds

The Resolution provides that the Note proceeds shall be deposited in the general fund of the City.

Payment

Both principal and interest are payable in lawful money of the United States of America at the office of the Fiscal Agent, to DTC, which will in turn remit such principal and interest to

the beneficial owners of the Notes through DTC's Participants, as described in the Preliminary Official Statement.

Full Book Entry

The Notes, when delivered to the purchaser thereof, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes purchased.

TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES

Form of Bid

Bids must be for all of the Notes, and must be for not less than the par value thereof. Each bid must be submitted through Ipreo and must be received not later than 8:30 a.m. on said date of sale. Each bid must be in accordance with the terms and conditions set forth herein. Bids which do not conform to the terms of this paragraph will be rejected.

Electronic Bidding Process

Electronic proposals must be submitted through Ipreo. Any electronic proposal submitted through any other means shall be disregarded.

The City, Public Financial Management, Inc. (the "Financial Advisor") and Kutak Rock LLP ("Note Counsel") are not responsible for the proper operation of, and shall not have any liability for any delays or interruptions of or any damages caused by Ipreo. Each bidder expressly assumes the risk of any incomplete, inaccurate or untimely bid submitted through Ipreo, including, without limitation, by reason of garbled transmissions, mechanical failure, slow or engaged telephone or telecommunications lines or any other cause. The City is using Ipreo as a communications mechanism and not as the City's agent to conduct electronic bidding for the Notes. The City is not bound by any advice and determination of Ipreo to the effect that any particular bid complies with the terms of this Notice Inviting Bids. All costs and expenses incurred by prospective bidders in connection with their submission of bids through Ipreo are the sole responsibility of the bidders and the City is not responsible for any of such costs or expenses. Further information about Ipreo, including any fee charged, may be obtained from Ipreo, 2nd Floor, 1359 Broadway, New York, New York 10018, Telephone: (212) 849-5021. The City assumes no responsibility or liability for bids submitted through Ipreo. To the extent any instructions or directions set forth by Ipreo conflict with this Notice Inviting Bids, the terms of this Notice Inviting Bids shall control.

The City may regard the electronic submission of a bid through Ipreo (including information about the purchase price for the Notes and the interest rate to be borne by the Notes and any other information included in such transmission) as though the same information were submitted by the bidder on the Bid Form and executed on the bidder's behalf by a duly authorized signatory. If such bid is accepted by the City, this Notice Inviting Bids, the Bid Form

and the information that is electronically transmitted through Ipreo shall form a contract and the successful bidder shall be bound by the terms of such contract.

In the event of any conflict between the information represented by Ipreo and the terms set forth in this Notice Inviting Bids and the Bid Form, the terms set forth in this Notice Inviting Bids and the Bid Form shall control.

All-or-None Bids Only

Bidders may only bid to purchase all of the Notes. No bid will be considered which does not offer to purchase all of the Notes. Each bid must specify only one rate of interest and a dollar purchase price for the entire issue of Notes.

Bidding Details

Bidders should be aware of the following bidding details associated with the sale for each series of Notes:

(a) All bids must be submitted on Ipreo's electronic bid system. No telephone, facsimile, telegraph or personal delivery bids will be accepted.

(b) Bidders are permitted to submit bids for the Notes in only an all-or-none auction during the bidding time period.

(c) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid when compared to the immediately preceding bid of such bidder. See "—Bid Procedure and Basis of Award" below.

(d) The final bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder.

(e) During the bidding, no bidder will see any other bidder's bid, but each bidder will see whether its bid is a leading bid relative to other bids.

(f) On the Auction Page, bidders will be able to see whether any bid has been submitted.

Purchase Price

The Notes will, be awarded as a unit to the bidder whose legally acceptable bid, including any premium, produces the lowest TIC (on an annual 30/360 basis). The TIC of each proposal *will be determined on the basis of the present value of the principal and interest to be paid with respect to the Notes based on the bid amount, principal plus premium, if any.*

In the event that the winning bid contains a premium in excess of \$[_____], the principal amount of the Notes issued and delivered shall be reduced such that the principal amount of the Notes issued, together with premium thereon, does not exceed \$[_____].

Interest Rate

Interest with respect to the Notes will be calculated on a 30/360-day basis and is payable on October 1, 2013.* In connection with the bids submitted for the Notes, (a) each bidder must bid an interest rate in a multiple of one .001% per annum which rate must not exceed 2.5% per annum; (b) interest with respect to a Note shall be computed annually from its date to the stated maturity date, October 1, 2013 at the interest rate specified in the bid; (c) the same interest rate shall apply to all Notes; and (d) any premium must be paid as part of the purchase price, and no bid will be accepted which contemplates the waiver of any interest or other concession by the bidder as a substitute for payment in full for the purchase price. All bids which do not conform to the terms of this paragraph will be rejected.

Good Faith Deposit

Each bid must be accompanied by a financial surety bond or a check in the amount of 1% of par or \$250,000*, whichever is less, payable to the order of the "City of Long Beach," to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid (the "Good Faith Deposit"). The financial surety bond must be from an insurance company licensed to issue such a bond in the State of California, whose claims-paying ability is rated in the highest rating category (without regard to subcategories) by Moody's Investors Service and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. Such financial surety bond must be submitted prior to the time bids are to be received to Public Financial Management, Inc., 601 S. Figueroa Street, Suite 4500, Los Angeles, California, 90017, Attention: Michael Berwanger, telephone: (213) 489-4075, facsimile: (213) 489-4085. The financial surety bond must identify each bidder whose good faith deposit is guaranteed by such financial surety bond, and the City assumes no responsibility for any failure of a financial surety bond to list any bidder or to be received on a timely basis as described in the preceding sentence. Once the Notes are awarded to a bidder utilizing a financial surety bond, then that bidder shall deliver its good faith deposit to the Treasury in the form of a cashier's check (meeting the requirements set forth above) or by wire transfer no later than 12:00 noon, California time, on the business day immediately following the award. Wiring instructions for the Good Faith Deposit are as follows:

Bank Name: Union Bank, N.A.
Bank Address: Los Angeles, California
Account: City of Long Beach Cash Concentration Account
Account Number: 2740016582
ABA#: 122-000-496

The City does not endorse the use of a financial surety bond or of any provider of such a surety bond. The City will accept a financial surety bond in lieu of a cashier's check under the

* Preliminary, subject to change.

terms described herein solely as an accommodation to bidders, and it is understood and agreed by each bidder using such a bond that the bidder must make its own arrangements with the provider of the bond.

No interest will be paid upon the deposit made by any bidder. Good Faith Deposit checks of all bidders (except the successful bidder or bidders, herein the "Purchaser" or "Purchasers") will be returned by the City promptly following the award of the Notes to the Purchaser. The Good Faith Deposit will be invested for the exclusive benefit of the City. The principal amount of each such deposit shall be applied to the purchase price of the Notes at the time of delivery thereof.

If any Purchaser shall fail to pay the purchase price of the Notes awarded to it in full upon tender of the Notes, such Purchaser shall have no right in or to the Notes or to the recovery of its deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Notes would not be validly issued if delivered to such Purchaser in the form and manner proposed. In the event of nonpayment by any Purchaser, the amount of such Purchaser's Good Faith Deposit shall be retained by the City as and for liquidated damages for such failure by such Purchaser, and such retention shall constitute a full release and discharge of all claims by the City against such Purchaser arising from such failure. The City's actual damages in such an event may be greater or may be less than the amount of such Purchaser's Good Faith Deposit. Each bidder waives any right to claim that the City's actual damages are less than such amount.

Information Required from Winning Bidder; Certification of Reoffering Price

By making a bid for the Notes, the Purchaser agrees (a) to provide all information necessary to complete the Official Statement; (b) to disseminate to all members of the underwriting syndicate copies of the Official Statement, (c) to promptly file a copy of the final Official Statement, with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access system; and (d) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and MSRB rules governing the offering, sale and delivery of the Notes to ultimate purchasers.

The Purchaser shall be required, as a condition to the delivery of the Notes by the City, to certify to the City in writing, in form and substance acceptable to Bond Counsel (a) stating the initial offering price of the Notes to the general public; (b) certifying that a bona fide offering of the Notes has been made to the public (excluding bond houses, brokers, and other intermediaries); (c) stating the prices at which at least 10% of the Notes awarded to such Purchaser were sold (or were offered in a bona fide public offering and as of the date of the award of the Notes to such Purchaser were reasonably expected to be sold) to the public; and (d) certifying that the price at which the Notes were sold did not exceed the fair market value of such Notes as of its sale date. The Purchaser shall also certify to the City that a copy of the final Official Statement relating to the Notes has been deposited with a nationally recognized municipal securities information repository, if applicable.

Award of Sale

The City will award the Notes or reject all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of proposals unless such time of award is waived by the Purchaser.

Right of Rejection and Waiver

The City reserves the right, in its discretion, to reject any and all bids to waive any irregularity or informality in any bid and to select the winning bidder among bidders submitting identical bids.

Right To Postpone Award

In the event that no bid is awarded, the City shall receive bids at the time and location to be communicated through Thomson Municipal Market Monitor (www.tm3.com) not less than 24 hours prior to the time bids are to be received until such time as a bid is awarded or the City determines to withdraw sale of the Notes.

Right of Cancellation

The Purchaser shall have the right at its option to cancel the sale and purchase of the Notes if the City shall fail to execute the Notes and tender the same for delivery within 30 days from the award of sale thereof.

CUSIP Numbers

CUSIP numbers will be applied for and will be printed on the Notes and the cost will be the Purchaser's responsibility. Any delay, error or omission with respect thereto will not constitute cause for the Purchaser to refuse to accept delivery of and pay for the Notes.

Payment

Payment of the purchase price must be made in funds immediately available to the Treasurer of the City of Long Beach, California on the date of delivery of the Notes, which is expected to be on or about October 2, 2012.

Change in Tax-Exempt Status

At any time before the Notes are tendered for delivery, the Purchaser may disaffirm and withdraw its proposal if the interest received by holders of notes of the same type and character as the Notes shall be determined to be includable in gross income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be determined to be includable in gross income by the terms of any federal income tax law enacted subsequent to the date of this notice.

California Debt and Investment Advisory Commission Fee

The Purchaser will be required pursuant to California law to pay any fees due to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the Purchaser after the closing of the Notes.

Official Statement

The Preliminary Official Statement, together with any supplements thereto, is in a form "deemed final" by the City for purposes of SEC Rule 15c2-12, but is subject to revision, amendment and completion in a final Official Statement. The City will provide each Purchaser such number of printed copies of the Official Statement for this issue as such Purchaser may reasonably request. Up to [50] copies of the Official Statement will be furnished without cost within seven days of the sale, and any additional copies will be furnished at the expense of the Purchaser.

Closing Papers; Legal Opinion

The obligation of the Purchaser to purchase the Notes will be conditioned upon the City furnishing to each Purchaser, without charge, concurrently with payment for and delivery of the Notes, the following closing papers, each dated the date of such delivery:

- (a) the final approving opinion of Kutak Rock LLP, Note Counsel, in the form attached as Appendix B to the Official Statement;
- (b) a certificate of the City that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be "arbitrage notes";
- (c) an opinion of the City Attorney of the City of Long Beach that there is no litigation threatened or pending affecting the validity of the Notes;
- (d) a certificate of an appropriate City official, acting on behalf of the City solely in his/her official capacity, and not in his/her personal capacity, which at the time of the sale of the Notes and at all times subsequent thereto, up to and including the time of the delivery of the Notes to the initial purchasers thereof, the Official Statement of the City pertaining to said Notes did not, and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which it was made, not misleading;
- (e) the signature certificate of the officials of the City of Long Beach, showing that they have signed the Notes and impressed the seal of the City thereon, and that they were respectively duly authorized to execute the same; and
- (f) the receipt of the Treasurer of the City of Long Beach that the purchase price of the Notes has been received.

Information Available

Requests for information concerning the City should be addressed to:

Public Financial Management, Inc.
601 South Figueroa Street
Suite 4500
Los Angeles, CA 90071
Attention: Michael Berwanger
Telephone: (213) 489-4075
Facsimile: (213) 489-4085

IN WITNESS WHEREOF, the City of Long Beach executes this Notice Inviting Bids as of the date provided below.

CITY OF LONG BEACH, CALIFORNIA

By _____
Name _____
Title _____

Dated as of [____], 2012.

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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EXHIBIT B
[FORM OF NOTICE OF INTENTION TO SELL]

NOTICE OF INTENTION TO SELL

\$[]*

City of Long Beach, California
2012-2013 Tax and Revenue Anticipation Notes

NOTICE IS HEREBY given that electronic bids will be received by the City of Long Beach, California (the "City") for the purchase of \$[]* principal amount of City of Long Beach, California 2012-2013 Tax and Revenue Anticipation Notes (the "Notes"), as follows:

Time: 8:30 a.m., Pacific Daylight Time, on or prior to September 13, 2012, as established by the City.

Manner: Electronic Bids, via Ipreo's BiDCOMP™/PARITY® electronic bid system ("Ipreo"). No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, facsimile, telegraph or personal delivery) will be accepted.

Electronic proposals may be submitted for receipt prior to the time for receipt of the bids at the time and place set forth above, only through Ipreo, in accordance with the procedures, terms and conditions set forth in the Notice Inviting Bids. Bidders expecting to submit a bid by electronic transmissions are requested to notify the City's financial advisor, Public Financial Management, Inc., of their intent as early as possible. No other provider of Internet bidding services and no other means of delivery (i.e., telephone, facsimile or physical delivery) will be accepted. Changes in the date and time of receipt of proposals will be communicated via Thomson Municipal Market Monitor (www.tm3.com) ("TM3") not later than 12:00 p.m., Pacific Daylight Time, on the business day prior to the bid opening.

Copies of the complete Notice Inviting Bids, Bid Form, Preliminary Official Statement to be issued in connection with the sale of the Notes and copies of the authorizing resolution and other documents related thereto may be obtained from the City or from the offices of the City's financial advisor at the following locations: City Treasurer, City of Long Beach, 333 West Ocean Boulevard, 6th Floor, Long Beach, California 90802, Telephone: (562) 570-6845; and Public Financial Management, Inc., 601 South Figueroa Street, Suite 4500, Los Angeles, California 90017, Telephone: (213) 489-4075.

The Preliminary Official Statement will be in a form deemed final by the City within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, except for the omission of certain information permitted to be omitted therefrom pursuant to Rule 15c2-12 and is subject to revision, amendment and completion in a final Official Statement.

Dated: September [], 2012

*Preliminary: subject to change.

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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EXHIBIT C
FORM OF NOTE

No. R-1 \$ _____
\$ _____

City of Long Beach, California
2012-2013 Tax and Revenue Anticipation Notes

| <u>Dated Date</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>CUSIP No.</u> |
|-------------------|----------------------|----------------------|------------------|
| October 2, 2012 | _____% | October 1, 2013 | 542399 ____ |

Principal Amount: _____ DOLLARS

FOR VALUE RECEIVED, THE CITY OF LONG BEACH, CALIFORNIA, a charter city of the State of California (the "City"), acknowledges itself indebted to and promises to pay to Cede & Co., at the office of the Treasurer of the City (the "Treasurer") the principal sum of \$ _____ in lawful money of the United States of America, on October 1, 2013, with interest thereon at the rate of ____% per annum, computed on a 30 day month and a 360 day year basis from the date hereof until payment in full of said principal sum. Both the principal of and the interest on this Note shall be payable upon surrender of this Note at the office of the Paying Agent as the same shall become due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails properly to present this Note for payment.

It is hereby certified, recited and declared that this Note is part of an issue of \$ _____ aggregate principal amount of Notes (the "Notes") issued by the City, under and in accordance with the provisions of Article 7.6 of Chapter 4, Part 1 of Division 2 of Title 5 of the California Government Code (constituting Sections 53850 53858, inclusive, of said Code), and a Resolution duly adopted by the City Council of the City on August 21, 2012.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the City during its 2012-2013 fiscal year. As security for the payment of principal of and interest on the Notes, the City has pledged an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes, from the first unrestricted revenues received by the City in the month ending May 31, 2013; an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes, from the first unrestricted revenues received by the City in the month ending June 30, 2013; and an amount equal to 34% of the principal amount of the Notes, plus an amount sufficient to pay all remaining interest due on the Notes at maturity from the first unrestricted revenues received by the City in the month ending July 31, 2013 (such pledged amounts being hereinafter called the "Pledged Revenues"), and the principal of the Notes and the interest thereon shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefore.

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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Unless this Note is presented by an authorized representative of The Depository Trust Company to the City or its agent for registration of transfer, exchange or payment, and any Note issued is registered in the name of Cede & Co. or such other name as requested by authorized representative of The Depository Trust Company and any payment is made to Cede & Co., any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful since the registered owner hereof, Cede & Co., has an interest herein.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that the Notes are issued in conformity with the laws of the State of California and the proceedings of the City Council, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the Notes have existed, happened and been performed in regular and due time, form and manner as required by law, and that the Notes, together with all other indebtedness and obligations of the City, do not exceed any limit prescribed by the Constitution and statutes of the State of California.

IN WITNESS WHEREOF, the City has caused this Note to be executed by the City Manager and the City Treasurer, and has caused it to be countersigned by the City Clerk, which signatures may be either by their manual or facsimile signatures, has caused a facsimile of its official seal to be printed thereon, and has caused this Note to be dated October 2, 2012.

CITY OF LONG BEACH, CALIFORNIA

[SEAL]

By _____
Patrick H. West, City Manager

By _____
David S. Nakamoto, City Treasurer

COUNTERSIGNED:

By _____
Larry Herrera, City Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: October 2, 2012

This is one of the Notes described in the within mentioned Resolution of the City of Long Beach, California.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Paying Agent

By _____
Gregory Chenail, Vice President

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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EXHIBIT D

[FORM OF PRELIMINARY OFFICIAL STATEMENT]

NEW ISSUE—BOOK-ENTRY ONLY

Rating: Moody's: "[]"
See "RATING" herein.

In the opinion of Kutak Rock LLP, Note 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 Notes 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. In the further opinion of Note Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Notes is exempt from all present State of California personal income taxes. For a more complete description, see "TAX MATTERS" herein.



[\$AMOUNT]*
CITY OF LONG BEACH, CALIFORNIA
2012-2013 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery Coupon: ___% Price: ___% Yield: ___% CUSIP: 542399__† Due: October 1, 2013

The City of Long Beach, California 2012-2013 Tax and Revenue Anticipation Notes (the "Notes") will be issued in fully registered book-entry form only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to the beneficial owners thereof in the denomination of \$5,000 or any multiple thereof under the book-entry system maintained by DTC. Purchasers of the Notes will not receive certificates representing their interests in the Notes. Principal of and interest on the Notes will be payable only at maturity at the principal office of The Bank of New York Mellon Trust Company, N.A., as paying agent ("the Paying Agent"), by wire transfer to DTC, which will in turn remit such principal and interest to its Participants, which in turn will remit such principal and interest to the Indirect Participants or to the Beneficial Owners of the Notes, as more fully described herein.

The Notes, in accordance with California law, are a general obligation of the City of Long Beach, California (the "City"), and are payable from taxes, income, revenues, cash receipts and other moneys of the City attributable to the City's 2013 Fiscal Year commencing October 1, 2012 which are legally available for payment thereof. Certain of said moneys (the "Pledged Revenues") have been specifically pledged to the payment of the principal of the Notes and the interest thereon, to wit: an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending May 31, 2013; an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending June 30, 2013; and an amount equal to 34% of the principal amount of the Notes, plus an amount sufficient to pay all remaining interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending July 31, 2013.

THE NOTES ARE NOT SUBJECT TO REDEMPTION PRIOR TO THEIR MATURITY.

The cover page contains information for quick reference only, and is not a summary of this issue. Potential purchasers must read the entire Official Statement in order to obtain information essential to making an informed investment decision.

The Notes are offered when, as and if issued and delivered, subject to the approval as to their legality of Kutak Rock LLP, Note Counsel. Certain additional legal matters will be passed upon for the City by the City Attorney and Kutak Rock LLP, as Disclosure Counsel. It is anticipated that the Notes, in definitive form, will be available for delivery through the facilities of DTC on or about October 2, 2012.

Sealed bids and electronic bids for the purchase of the Notes will be received by the City at 8:30 a.m. California Time, on September 13, 2012, unless postponed as set forth in the Notice Inviting Bids.

Dated: September __, 2012

* Preliminary; subject to change.

† CUSIP data was provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies Inc. The CUSIP number is provided only for the convenience of the reader. The City takes no responsibility for any changes to or errors in the CUSIP number.

No dealer, broker, salesperson or other person has been authorized by the City 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. 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 Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, projections or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See "INTRODUCTION—Forward-Looking Statements."

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 since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement and the information contained herein is in a form deemed final by the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED IN SUCH ACT. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY, NOR ANY AGENCY OR DEPARTMENT THEREOF, HAS PASSED UPON THE MERITS OF THE NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE CITY HAS ENTERED INTO AN UNDERTAKING FOR THE BENEFIT OF THE HOLDERS OF THE NOTES TO PROVIDE NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF CERTAIN EVENTS, PURSUANT TO THE REQUIREMENTS OF SECTION (b)(5)(i)(C) OF RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

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

MAYOR AND CITY COUNCIL

Bob Foster,
Mayor

Robert Garcia,
First District, Vice Mayor

Suja Lowenthal, *Second District*

Dee Andrews, *Sixth District*

Gary DeLong, *Third District*

James Johnson, *Seventh District*

Patrick O'Donnell, *Fourth District*

Al Austin, *Eighth District*

Gerrie Schipske, *Fifth District*

Steven Neal, *Ninth District*

CITY OFFICIALS

Patrick H. West,
City Manager

John Gross, *Director of Financial Management*

David S. Nakamoto, *City Treasurer*

Robert E. Shannon, *City Attorney*

Laura L. Doud, *City Auditor*

Douglas P. Haubert, *City Prosecutor*

Larry Herrera, *City Clerk*

PROFESSIONAL SERVICES

Kutak Rock LLP,
Note Counsel and Disclosure Counsel

Public Financial Management, Inc.,
Financial Advisor

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

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OFFICIAL STATEMENT

[\$[AMOUNT]]*

CITY OF LONG BEACH, CALIFORNIA 2012-2013 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

This Official Statement, including the Appendices hereto, has been prepared under the direction of the City of Long Beach, California (the "City"), in order to furnish information with respect to its sale of certain tax and revenue anticipation notes designated, "City of Long Beach, California, 2012-2013 Tax and Revenue Anticipation Notes" (the "Notes") in the aggregate principal amount of \$[AMOUNT]*. The Notes were authorized pursuant to the resolution of the City adopted August 21, 2012 (the "Resolution"), and will be issued in full conformity with the constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"). The Notes are a general obligation of the City payable solely from taxes, income, revenue, cash receipts and other moneys of the City attributable to its fiscal year commencing on October 1, 2012 (the "2013 Fiscal Year" or "Fiscal Year 2013") which are legally available for payment thereof. Proceeds from the sale of the Notes will be used for current General Fund expenditures, including current expenses and capital expenditures. The California Government Code (the "Government Code") provides that the City may issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated moneys legally available for the payment of the Notes and the interest thereon.

The Notes and interest thereon are secured by a pledge of certain percentages of the City's first unrestricted revenues received in the months and in the amounts described under the caption "THE NOTES—Security for the Notes" below.

If the full amount of the revenues pledged in a particular month to the repayment of the Notes has not been received by the City, then the amount of any deficiency shall be satisfied and made up from the first additional moneys of the City thereafter received and lawfully available for payment of the Notes and interest thereon.

Forward-Looking Statements

This Official Statement 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," "forecast," "projection," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

Current Financial Conditions of the State and the City

[The State has been experiencing significant financial and budgetary stress for several years. The State's financial condition and budget policies affect communities and local public agencies throughout California, including the City. There can be no assurances that, as a result of the current State financial

* Preliminary; subject to change.

stress, the State will not further reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. In addition, there can be no assurances that State actions in response to the State's financial difficulties will not adversely affect the financial condition of the City.

Similar to the State, the City has experienced financial constraints due to the economic downturn beginning in 2008. The length and depth of the economic downturn has resulted in a lack of growth in revenues in recent years, due to the stagnant economy and expenditure pressures. The City has generally addressed expenditure pressures through layoffs, not filling vacant positions, and various cost-cutting measures in all departments at the City and revenue shortfalls, from budgeted amounts, have been addressed through the use of previous years' general fund balances. Additionally, the City continues to negotiate with labor groups to reduce retirement costs for City employees. See "CITY FINANCIAL INFORMATION—Current Financial Conditions of the State and the City," herein.]

THE NOTES

Authority for Issuance

The Notes are issued under the authority of the cited provisions of the Government Code and pursuant to the Resolution (see "INTRODUCTION" above).

Purpose of Issue

Issuance of the Notes will provide moneys to meet the City's 2013 Fiscal Year General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the City.

Description of the Notes

The Notes will be issued in the aggregate principal amount of \$[AMOUNT][†] and will be issued in denominations of \$5,000 or integral multiples thereof. The Notes will be dated their date of delivery and will mature on October 1, 2013. The Notes shall bear interest at the rate set forth on the cover page hereof, with interest accruing up to but not including the maturity date, and shall be payable at maturity and computed on a 30-day month/360-day year basis. The Notes are to be delivered as fully registered Notes, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof.

Security for the Notes

The Notes and the interest thereon are payable from taxes, income, revenue, cash receipts and other moneys of the City attributable to the 2013 Fiscal Year and legally available for payment thereof, and are secured by a pledge of certain of said moneys (the "Pledged Revenues"). As security for the payment of the Notes including the interest thereon, the City has pledged pursuant to the Resolution: (a) an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending May 31, 2013; (b) an amount equal to 33% of the principal amount of the Notes, plus an amount equal to 33% of the interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending June 30, 2013; and (c) an amount equal to 34% of the principal

[†] Preliminary; subject to change.

amount of the Notes, plus an amount sufficient to pay all remaining interest due on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending July 31, 2013.

The Pledged Revenues shall be deposited by the City and held by the City Treasurer, acting as Fiscal Agent in trust, in a special account (the "Repayment Account") and applied as directed under the Resolution. Any money deposited by the Fiscal Agent in the Repayment Account shall be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the principal of and interest on the Notes payable at maturity, the moneys in the Repayment Account shall be applied only for purposes for which the Repayment Account was created.

Amounts deposited by the City in the Repayment Account shall be applied solely for the purpose of paying the principal of and interest on the Notes, although such amounts shall be invested by the City in legal investments as permitted by Section 53601 of the Government Code of the State, or in the City's investment portfolio, for a term that does not exceed the maturity of the Notes. In the event that amounts on deposit in the Repayment Account on the maturity date of the Notes are insufficient to pay principal and interest on the Notes at maturity due to an investment loss, the City is required to use any available Unrestricted Moneys (as defined below) from Fiscal Year 2013 for the payment of principal of and interest on the Notes. However, in the event of such investment loss, there is no guarantee that the City will have sufficient Unrestricted Moneys to pay the principal of and interest on the Notes as the same becomes due.

The Resolution requires that the Pledged Revenues be deposited and held in the Repayment Account until maturity, at which time the moneys in such fund will be used to repay the Notes. If during the foregoing period there are insufficient sources of Pledged Revenues to permit deposit of the full amount of Pledged Revenues, then the amount of any deficiency shall be satisfied from any other moneys of the City lawfully available for the repayment of the Notes and/or in the City's investment portfolio.

Available Sources of Repayment

The Notes, in accordance with the Act, are a general obligation of the City but are payable only out of unrestricted moneys, which include the taxes, income, revenue, cash receipts and other moneys of the City which are received by the City for the General Fund of the City for the 2013 Fiscal Year and which are generally available for the payment of current expenses and other obligations of the City ("Unrestricted Moneys"). The Constitution of the State substantially limits the City's ability to raise revenues (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein). The City may, under the Act, issue the Notes only if the principal of, and interest on, the Notes and any other bonds, notes and warrants issued pursuant to the Act will not exceed 85% of the estimated moneys legally available for the repayment of the Notes and any other bonds, notes and warrants issued pursuant to the Act. Although the City has the right under the Resolution to issue additional notes on a subordinate basis, the City currently expects that, other than the Notes, it will not issue any bonds, notes or warrants pursuant to the Act with respect to the 2013 Fiscal Year that are payable from Unrestricted Moneys. Further detail as to the estimated Pledged Revenues available for repayment of the Notes, Unrestricted Moneys for Fiscal Year 2013 and the resultant Note Coverage Ratio, defined below, can be found in Table I, "City of Long Beach Fiscal Year 2013 Estimated Unrestricted Moneys (in Thousands)" and Table III, "City of Long Beach Fiscal Year 2013 Projected General Fund Cash Flow (in Thousands)."

The "Note Coverage Ratio" is the ratio of estimated Unrestricted Moneys available to repay the principal of and interest on the Notes during the months of May through July, to the amount of Pledged Revenues needed to pay principal of and interest on the Notes. The City expects to receive a projected \$157,692,000 in Unrestricted Moneys on a cash basis (including carry-over balances (but not including the prior year-end balance) and transfers, but net of proceeds of the Notes) during the months of May

through July. Based on an amount of Pledged Revenues needed to pay principal of and interest on the Notes of approximately \$23,575,000[‡] the Note Coverage Ratio is 6.689*.

Under the Resolution, the City may issue additional notes during Fiscal Year 2013 that are secured by a lien on the Pledged Revenues that is subordinate to the lien on the Pledged Revenues that secures the Notes. See “THE NOTES—Additional Note Obligations” herein.

The table below sets forth the source and amount of estimated Unrestricted Moneys expected to be received in the months of May through July, Unrestricted Moneys for Fiscal Year 2013 and the Note Coverage Ratio.

TABLE I
City of Long Beach
Fiscal Year 2013 Estimated Unrestricted Moneys
(in Thousands)

| <u>Revenue Source</u> | <u>May–July 2013 Unrestricted Moneys Available</u> | <u>Fiscal Year 2013 Unrestricted Moneys Available</u> |
|---------------------------------|--|---|
| Cash Balance, October 1 | n/a | \$ 8,236 |
| Cash Balance, May 1 | \$ 50,981 | n/a |
| Property Tax | 10,260 | 75,595 |
| Sales Tax | 10,999 | 43,778 |
| Oil Production Taxes | 447 | 1,787 |
| Franchises | 4,470 | 21,507 |
| Utility Users Tax | 8,598 | 36,346 |
| Business License Tax | 2,907 | 11,860 |
| Transient Occupancy Tax | 2,397 | 9,260 |
| Other Taxes | 233 | 990 |
| Fines & Forfeitures | 3,833 | 15,797 |
| Interest Earnings | 223 | 878 |
| In Lieu Sales Tax | 8,575 | 17,150 |
| In Lieu VLF | 19,453 | 38,905 |
| City Utilities in Lieu | 3,673 | 11,173 |
| Sundry Revenues | 777 | 4,848 |
| Interfund Transfers | 14,582 | 54,735 |
| Charges to other City Funds | 2,436 | 10,139 |
| Service Charges | 3,108 | 13,054 |
| From Other Govt. Agencies | 266 | 611 |
| Other Use of Money and Property | 3,484 | 13,943 |
| Other | 750 | 3,234 |
| Licenses & Permits | <u>5,240</u> | <u>20,084</u> |
| Total Unrestricted Money | <u>\$157,692</u> | <u>\$413,910</u> |
| Note Principal Plus Interest* | \$ 23,575 | \$ 23,575 |
| Note Coverage Ratio | 6.689 | 17.557 |

* Assumes \$23 million principal plus 2.5% interest on principal
Source: City of Long Beach

[‡] Preliminary; subject to change.

Actual and Projected General Fund Cash Flows

Set forth below are summaries of the City's Fiscal Year 2012 General Fund cash flows and the City's Fiscal Year 2013 General Fund cash flow projections, which are based on the City's Proposed Budget (as defined herein), which could be amended and supplemented to account for anticipated future City Council budget-balancing actions.

The projected Fiscal Year 2013 cash flows, as prepared by the City Treasurer's Office, reflect the best currently available estimates and judgments of the City Treasurer's Office as to the City's revenues and expenditures and the expected financial condition of the City for Fiscal Year 2013.

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the projected Fiscal Year 2013 cash flows contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and such parties assume no responsibility for, and disclaim any association with, the projected Fiscal Year 2013 cash flows.

The assumptions and estimates underlying the projected cash flows are uncertain and, though considered reasonable by the management of the City as of the date hereof, are subject to a wide variety of significant business, economic and political risks and uncertainties that could cause actual results to differ materially from those contained in the projected cash flows. Accordingly, there can be no assurance that the projected results are indicative of the future performance of the City or that actual results will not be materially higher or lower than those contained in the projected cash flows. Inclusion of the projected cash flows in this Official Statement should not be regarded as a representation by any person that the results contained in the projected cash flows will be achieved.

[Remainder of page intentionally left blank.]

TABLE II
City of Long Beach Fiscal Year 2012
General Fund Cash Flow—[Unaudited] (in Thousands)

TABLE III
City of Long Beach Fiscal Year 2013
Projected General Fund Cash Flow (in Thousands)

Alternate Liquidity

The City has various funds restricted for certain purposes and in the event of a shortfall in Unrestricted Moneys such that Pledged Revenues are insufficient to pay principal and interest on the Notes, amounts on deposit in such restricted funds could be used to pay principal and interest on the Notes. These restricted funds include but are not limited to the Employee Benefits Fund, the Insurance Fund, the Gas Fund and the Upland Oil Fund. As of July 1, 2012, amounts on deposit in such funds totaled \$143,032,323. Pursuant to the Charter, in the event that moneys in such funds are utilized to pay principal and interest on the Notes, the moneys must be repaid by the end of the 2013 Fiscal Year.

Additional Note Obligations

Under the Resolution, the City has reserved the right to issue additional notes during Fiscal Year 2013 having a lien on the Pledged Revenues that is subordinate to the lien on the Pledged Revenues securing the Notes. No additional notes may be issued by the City under the Resolution that are secured by a lien on the Pledged Revenues that is on parity with or senior to the lien on the Pledged Revenues that secures the Notes. Repayment of any subordinate note would only occur after all amounts required to be deposited in the Repayment Account for the repayment of the Notes in full at maturity have occurred. The City currently expects that, other than the Notes, it will not issue any bonds, notes or warrants pursuant to the Act with respect to the 2013 Fiscal Year.

Limitation on Remedies

The rights of the owners of the Notes are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the City, may become subject to the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch & Co., Inc., et al.* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of owners of tax and revenue anticipation notes. The City will be in possession of the taxes and other revenues that will be set aside and pledged to repay the Notes and these funds may be invested for a period of time in the City's investment portfolio. In the event of a petition for the adjustment of City debts under Chapter 9 of the Bankruptcy Code, a court might hold that the owners of the Notes do not have a valid and/or prior lien on the Pledged Revenues where such amounts are deposited in the City's investment portfolio and may not provide the owners of the Notes with a priority interest in such amounts. In that circumstance, unless the owners could "trace" the funds from the Repayment Account that have been deposited in the City's investment portfolio, the owners would be

unsecured creditors of the City. There can be no assurance that the owners of Notes could successfully so “trace” the pledged taxes and other revenues.

Sources and Uses of Funds

The following table presents the estimated sources and uses of funds in connection with the issuance of the Notes.

| | |
|---------------------------|----------|
| Sources | |
| Principal Amount of Notes | \$ _____ |
| Original Issue Premium | _____ |
| Total Sources | \$ _____ |
| Uses | |
| Deposit to General Fund | \$ _____ |
| Costs of Issuance* | _____ |
| Total Uses | \$ _____ |

*Includes underwriter’s discount legal fees, printing expenses and other costs of issuance.

Book-Entry-Only System

Introduction. Unless otherwise noted, the information contained under the subcaption “—General” below has been provided by DTC. The City does not make any representations as to the accuracy or completeness of such information. The beneficial owners of the Notes should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE NOTES, (C) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE OWNER OF THE NOTES; (D) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF NOTES; OR (E) ANY OTHER MATTER REGARDING DTC.

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

DTC is a limited-purpose trust company organized under New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts.

This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The City does not undertake any responsibility for or make any representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying

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

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates 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, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF NOTES AND WILL NOT BE RECOGNIZED BY THE PAYING AGENT AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

THE CITY

General

The City is a municipal corporation and chartered city of the State and encompasses approximately 52 square miles of coastal area located on the southern edge of Los Angeles County (the "County"). With a population as of July 1, 2011 of approximately 462,257, it is the second largest city in the County and the seventh largest city in the State. The City's climate is mild, with temperatures ranging from an average of 54 degrees in January to 72 degrees in July. Precipitation averages 12.1 inches per year. The center of the City is 22 miles south of downtown Los Angeles, 450 miles south of San Francisco and 110 miles north of San Diego. The City has long been a major industrial center and popular beach resort area. The Port of Long Beach (the "Port"), along with its related commercial activities, strengthens the local economy. Further, the City has been successful in building a substantial tourist and convention business and is currently taking vigorous steps to augment tax revenues from these sources.

Municipal Government

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

The City operates under the council-manager form of government with a nine-member City Council. City Council members are nominated and elected by district to serve four-year terms, with a

maximum of two such terms. The Mayor is nominated and elected by the City at large. The Vice-Mayor is elected by the Council from among its members. Other city-wide elected offices are City Attorney, City Auditor and City Prosecutor.

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

The City currently employs approximately 5,179 persons within 21 departments. The police department consists of approximately 1,254 uniformed officers and supporting personnel. The fire department operates 23 fire stations with approximately 515 firefighters, officers and employees.

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

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

Population

The City's population as of July 1, 2011, was estimated to be 462,257 persons. This figure represents 4.68% of the County's population and 1.23% of the State's population. The following table illustrates the City's population growth relative to the County and the State.

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

| <u>Year</u> | <u>City of Long Beach</u> | <u>County of Los Angeles</u> | <u>State of California</u> |
|-------------|---------------------------|------------------------------|----------------------------|
| 1980 | 361,355 | 7,477,421 | 23,667,836 |
| 1990 | 427,200 | 8,832,500 | 29,558,000 |
| 2000 | 459,900 | 9,487,400 | 33,753,000 |
| 2004 | 487,305 | 10,107,451 | 36,271,091 |
| 2006 | 490,166 | 10,245,572 | 37,172,015 |
| 2007 | 492,921 | 10,331,939 | 37,662,518 |
| 2008 | 492,642 | 10,363,850 | 38,049,462 |
| 2009 | 490,882 | 10,355,053 | 38,255,508 |
| 2010 | 494,709 | 10,441,080 | 38,648,090 |
| 2011 | 462,257 | 9,857,567 | 37,578,616 |

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

Personal Income

The following chart sets forth the yearly total effective buying income and the median household effective buying income for the City, the County and the State of California for the periods of 2008 through 2012:

TABLE V
City of Long Beach,
County of Los Angeles and State of California
Personal Income 2008-2012

| <u>Year</u> | <u>Area</u> | <u>Total Effective Buying Income (in Thousands)</u> | <u>Median Household Effective Buying Income</u> |
|-------------|---------------------|---|---|
| 2008 | City of Long Beach | \$ 8,695,518 | \$38,604 |
| | Los Angeles County | 202,646,560 | 43,883 |
| | State of California | 814,894,438 | 48,217 |
| 2009 | City of Long Beach | 8,810,320 | 39,214 |
| | Los Angeles County | 206,127,854 | 44,593 |
| | State of California | 832,531,446 | 48,915 |
| 2010 | City of Long Beach | 9,006,580 | 39,859 |
| | Los Angeles County | 207,077,609 | 45,390 |
| | State of California | 844,823,319 | 49,736 |
| 2011 | City of Long Beach | 8,561,158 | 38,404 |
| | Los Angeles County | 196,757,991 | 43,133 |
| | State of California | 801,393,028 | 47,177 |
| 2012 | City of Long Beach | 8,682,273 | 38,561 |
| | Los Angeles County | 197,831,465 | 43,083 |
| | State of California | 814,578,458 | 47,062 |

Source: Claritas Incorporated, The Nielsen Company

Employment

The California Employment Development Department compiles data annually on the status of employment and unemployment in the County. As an integral part of the Los Angeles metropolitan area, the City benefits from the wide variety of job opportunities available in neighboring communities throughout the County.

The following table sets forth the average employment for major industry types within the County.

TABLE VI
County of Los Angeles
Average Employment by Industry
2007-2011

| <u>Industry</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Agriculture | 7,500 | 6,900 | 6,200 | 6,200 | 5,500 |
| Natural Resources and Mining | 4,400 | 4,400 | 4,100 | 4,100 | 4,000 |
| Construction | 157,600 | 145,200 | 117,300 | 104,500 | 103,500 |
| Manufacturing | 449,200 | 434,500 | 389,200 | 373,200 | 365,400 |
| Wholesale Trade | 227,000 | 223,700 | 204,500 | 203,300 | 207,200 |
| Retail Trade | 426,000 | 416,500 | 387,000 | 386,000 | 390,900 |
| Transportation, Warehousing and Utilities | 165,600 | 163,100 | 151,200 | 150,600 | 149,900 |
| Information | 209,800 | 210,300 | 191,200 | 191,500 | 195,600 |
| Financial Activities | 243,800 | 233,300 | 216,000 | 209,500 | 209,400 |
| Professional/Business Services | 605,400 | 582,600 | 529,800 | 527,500 | 540,400 |
| Education/Health Services | 492,700 | 505,800 | 514,600 | 522,000 | 534,800 |
| Leisure/Hospitality | 397,900 | 401,600 | 385,600 | 384,800 | 392,800 |
| Other Services | 147,100 | 146,100 | 137,900 | 136,700 | 135,000 |
| Government | <u>595,700</u> | <u>603,700</u> | <u>595,800</u> | <u>579,600</u> | <u>565,200</u> |
| Total Wage and Salary* | <u>4,129,600</u> | <u>4,077,600</u> | <u>3,830,300</u> | <u>3,779,300</u> | <u>3,799,600</u> |

*Total may not add due to rounding.

Source: Employment Development Department, Labor Market Division

[Remainder of page intentionally left blank.]

The following table summarizes labor force, employment and unemployment by industry since 2007 in the City, the State and the United States.

TABLE VII
City of Long Beach, State of California and United States
Labor Force, Employment and Unemployment Annual Average
Calendar Year 2007 through 2011

| <u>Year</u> | <u>Area</u> | <u>Civilian Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>Unemployment Rate (%)</u> |
|-------------|---------------------|-----------------------------|-------------------|---------------------|------------------------------|
| 2007 | City of Long Beach | 234,300 | 221,200 | 13,200 | 5.6% |
| | State of California | 17,970,692 | 17,013,508 | 957,192 | 5.3 |
| | United States | 153,125,500 | 146,048,500 | 7,077,083 | 4.6 |
| 2008 | City of Long Beach | 237,900 | 218,300 | 19,600 | 8.2 |
| | State of California | 18,253,917 | 16,935,175 | 1,318,767 | 7.2 |
| | United States | 154,330,667 | 145,369,000 | 8,961,667 | 5.8 |
| 2009 | City of Long Beach | 237,600 | 207,300 | 30,300 | 12.7 |
| | State of California | 18,252,450 | 16,170,217 | 2,082,250 | 11.4 |
| | United States | 154,205,750 | 139,886,417 | 14,319,333 | 9.3 |
| 2010 | City of Long Beach | 236,975 | 204,375 | 32,600 | 13.8 |
| | State of California | 18,242,367 | 15,972,383 | 2,269,992 | 12.4 |
| | United States | 153,893,000 | 139,068,583 | 14,824,500 | 9.6 |
| 2011 | City of Long Beach | 236,618 | 204,809 | 31,791 | 13.5 |
| | State of California | 18,097,445 | 15,955,545 | 2,141,873 | 11.8 |
| | United States | 153,615,833 | 139,873,167 | 13,742,500 | 9.0 |

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

Major Employers

The largest employer in the City is the Long Beach Unified School District, employing approximately 8,300 people. The Long Beach Unified School District serves approximately 83,980 students. The second largest employer in the City is The Boeing Company (“Boeing”), with facilities at the Long Beach Airport, employing approximately 6,850 persons.

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

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

TABLE VIII
City of Long Beach
Major Employers As of September 30, 2011

| <u>Employer</u> | <u>Number of Employees</u> |
|--|----------------------------|
| 1. Long Beach Unified School District | 8,304 |
| 2. The Boeing Company* | 6,847 |
| 3. Long Beach Memorial Medical Center | 5,805 |
| 4. California State University, Long Beach | 5,790 |
| 5. City of Long Beach | 5,312 |
| 6. Veteran's Affairs Medical Center | 2,332 |
| 7. Long Beach City College | 1,579 |
| 8. St. Mary's Medical Center | 1,556 |
| 9. United States Postal Service | 1,257 |
| 10. California State Univ. Long Beach Foundation | 1,020 |

*In calendar year 2011 The Boeing Company cut approximately 900 jobs at its Long Beach plant. In July 2012, the United States Air Force issued a \$500 million contract to begin planning the shutdown of the C-17 production line at the Long Beach plant by late 2014, but Boeing officials indicated that Boeing is determined to extend the life of the C-17 production line. The City cannot predict what impact the potential closure of the Long Beach plant would have on the future revenues of the City.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

Industry

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

Commercial Activity

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

North of the Port at the intersection of the San Diego (I-405) and North Lakewood Boulevard, is the 55-acre Freeway Business Center, also known as the Kilroy Airport Center Long Beach (the "Kilroy Airport Center"), a high-technology office complex comprised of six buildings totaling approximately 949,156 square feet with a diverse mix of business tenants. As of January 2012, the Kilroy Realty Corporation reported the total market vacancy rate at the Kilroy Airport Center to be 5%. Each of the six buildings have square footage ranging from 10,457 square feet to 219,745 square feet with individual occupancy rates ranging from 84.8% to 100%. Tenants include a Federal Express World Service Center, SCAN health plan, fitness center, restaurant, car wash and detailing, and hire workforce agency.

The following table sets forth the City's transient occupancy tax receipts (currently computed at 12%) during the period from Fiscal Years 2007 through 2011.

TABLE IX
City of Long Beach
Transient Occupancy Tax Receipts
Fiscal Years 2007 through 2011
(in Millions)

| <u>Fiscal Year</u> | <u>Transient Occupancy Tax Receipts</u> |
|--------------------|---|
| 2007 | \$18.3 |
| 2008 | 18.3 |
| 2009 | 14.6 |
| 2010 | 15.5 |
| 2011 | 17.6 |

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

Taxable sales transactions in the City fluctuated up and down between Fiscal Years 2007 and 2011; however, taxable sales transactions increased 9.8% between Fiscal Years 2010 and 2011. The following table illustrates the City's annual volume of taxable transactions from Fiscal Years 2007 through 2011.

TABLE X
City of Long Beach
Taxable Sales
Fiscal Years 2007 through 2011
(in Thousands)

| <u>Type of Business</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Apparel Stores | \$ 150,119 | \$ 145,602 | \$ 130,464 | \$ 128,877 | \$ 145,296 |
| General Merchandise Stores | 319,674 | 314,243 | 305,002 | 300,479 | 292,149 |
| Drug Stores | 76,901 | 77,306 | 75,859 | 77,571 | 79,083 |
| Food Stores | 225,109 | 246,601 | 214,782 | 221,062 | 219,454 |
| Packaged Liquor | 29,742 | 35,909 | 37,210 | 37,585 | 39,293 |
| Eating/Drinking Places | 685,944 | 684,793 | 661,528 | 632,733 | 663,683 |
| Home Furnishings and Appliances | 98,069 | 88,166 | 79,969 | 68,842 | 82,618 |
| Building Materials and Farm Implements | 950,450 | 859,638 | 938,501 | 1,197,011 | 1,426,138 |
| Auto Dealers/Auto Supplies | 313,617 | 264,373 | 279,669 | 272,820 | 261,831 |
| Service Stations | 507,833 | 586,069 | 491,491 | 625,517 | 573,517 |
| Other Retail Stores | 477,026 | 415,493 | 376,469 | 337,634 | 332,081 |
| Retail Stores Totals | <u>\$3,834,484</u> | <u>\$3,718,193</u> | <u>\$3,590,942</u> | <u>\$3,900,131</u> | <u>\$4,115,145</u> |
| All Other Outlets | 912,021 | 998,099 | 829,510 | 718,317 | 955,109 |
| Total All Outlets | <u>\$4,746,505</u> | <u>\$4,716,292</u> | <u>\$4,420,452</u> | <u>\$4,618,447</u> | <u>\$5,070,255</u> |

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

Construction

The City issued building permits valued at approximately \$272 million during Fiscal Year 2011. Of this total, approximately 41% consisted of residential construction and approximately 59% consisted of non-residential construction. The City's annual permit values since Fiscal Year 2007 are set forth below:

TABLE XI
City of Long Beach
Building Permit Valuations
Fiscal Years 2007 through 2011
(in Thousands)

| <u>Type of Permit</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Residential | | | | | |
| New Single Dwelling | \$ 16,876.4 | \$ 12,366.4 | \$ 3,700.2 | \$ 5,869.4 | \$ 14,891.1 |
| New Multi Dwelling | 56,107.9 | 87,383.6 | 8,719.5 | 4,298.3 | 37,463.6 |
| Additions/Alterations | <u>117,410.6</u> | <u>84,226.7</u> | <u>60,475.5</u> | <u>65,000.1</u> | <u>58,030.5</u> |
| Total Residential* | <u>\$190,394.9</u> | <u>\$183,976.7</u> | <u>\$ 72,895.2</u> | <u>\$ 75,167.9</u> | <u>\$110,385.1</u> |
| Non-Residential | | | | | |
| New Commercial | \$ 22,734.7 | \$ 31,912.0 | \$ 9,092.0 | \$ 53,302.4 | \$ 27,162.8 |
| New Industrial | 259.4 | 297.5 | 0.0 | 22,222.6 | 15,731.4 |
| Other | 1,636.0 | 2,061.4 | 1,010.2 | 58,304.4 | 58,780.0 |
| Additions/Alterations | <u>82,545.8</u> | <u>55,343.1</u> | <u>52,926.4</u> | <u>1,048.0</u> | <u>60,000.0</u> |
| Total Non-Residential* | <u>\$107,176.0</u> | <u>\$ 89,614.0</u> | <u>\$ 63,028.5</u> | <u>\$134,877.4</u> | <u>\$161,674.2</u> |
| Total Valuation* | <u>\$297,570.8</u> | <u>\$273,590.7</u> | <u>\$135,923.8</u> | <u>\$210,045.3</u> | <u>\$272,059.4</u> |

*Totals may not add due to rounding.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

Visitor and Convention Business

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

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

The Queen Mary, a vintage ocean liner open to the public since 1971, provides the City with a unique tourist attraction. The six deck "Living Sea Museum" is the only facility of its kind in the world. The Queen Mary features three major restaurants, three fast food service facilities and 40 specialty shops. The Queen Mary Hotel, with 365 rooms, is aboard the ship. In addition, a Russian submarine, the "Scorpion," is currently docked adjacent to the Queen Mary and is open for visitors. The Scorpion is

another premier waterfront attraction complementing the popular Aquarium of the Pacific and the Queen Mary. Carnival Cruise Lines operates a homeport in Long Beach for its cruises to Mexico, adjacent to the Queen Mary.

The Maya Hotel, located on 18.8 waterfront acres west of the Queen Mary, is a development designed to afford 85% of the rooms with ocean views. The hotel consists of 199 rooms and offers resort style amenities in close proximity to the Queen Mary and Downtown attractions.

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

Long Beach Convention and Entertainment Center

The City has fostered convention business by expanding convention facilities and encouraging private sector participation. Trade shows, conventions, athletic contests and other events are held regularly at the Long Beach Convention and Entertainment Center (the "Convention Center"), which is part of the Pike at Rainbow Harbor oceanfront development. The Convention Center was enlarged in 1994 to accommodate 318,000 square feet of exhibit space. This expansion increased the total number of conventions and meetings held at the Convention Center, which competes with convention centers in cities such as Albuquerque, San Jose, Denver and Phoenix, and larger facilities in Los Angeles, Anaheim and San Diego. While the Convention Center and other Downtown events and attractions have marketed the City to a broader public and brought notability, the Long Beach Convention and Visitors Bureau continues to focus on hotel occupancy rates in order to stabilize and increase them in future months as the nation's economy continues to recover. For the period of January to April 2012, Smith Travel Research reported that the City's hotels have increased their average rate by 0.2%, daily occupancy has increased 6.4% and revenue per available room has increased 6.6%.

The following table sets forth convention and delegate attendance since calendar year 2007, and illustrates an upward then downward fluctuation in conventions and delegate attendance indicative of the economic slowdown beginning in calendar year 2008.

TABLE XII
City of Long Beach
Convention and Delegate Attendance

| <u>Calendar Year</u> | <u>Number of Conventions</u> | <u>Number of Delegates</u> |
|---------------------------------|---|---------------------------------------|
| 2007 | 201 | 475,769 |
| 2008* | 218 | 488,804 |
| 2009 | 194 | 469,452 |
| 2010 | 170 | 453,695 |
| 2011 | 216 | 403,224 |

* Restated prior year due to updated figures.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

Shoreline Village

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

Downtown Long Beach

The Pine Avenue corridor has enjoyed success since 1995 with an assortment of retailers and restaurants. CityPlace, an urban retail development in the heart of downtown, covers eight city blocks. CityPlace is approximately 450,000 square feet of retail space and 341 residential units. Tenants include Wal-Mart, Albertson's, Sav-On, Nordstrom Rack, Ross Dress For Less and several other apparel stores and eateries. Pine Avenue's concentration of dining establishments confirms restaurants as the principal element of the area. Currently, the City estimates that downtown Long Beach has a 16.67% vacancy rate on office space, and a 25% vacancy rate on ground floor retail space.

Long Beach Towne Center

In November 1998, the development of the Long Beach Towne Center was completed. It is an approximately 850,000 square foot community retail shopping center located on approximately 81 acres within the City at the southwest corner of Carson Street and the I-605 Freeway. The current operator of the Long Beach Towne Center is CREA/PPC Long Beach Towne Center PO, LLC, a Delaware limited liability company. The Long Beach Towne Center has a total market vacancy rate of 3.23%.

The Pike at Rainbow Harbor

The \$450 million "The Pike at Rainbow Harbor", developed by Developers Diversified Realty, is one of the largest shoreline developments in California history. The Pike at Rainbow Harbor includes approximately 500,000 square feet of waterfront retail and entertainment space. The Pike at Rainbow Harbor is a joint venture of public and private investment. The development converted 300 acres of prime oceanfront property at the edge of downtown Long Beach into a major resort. The Pike at Rainbow Harbor includes the Aquarium of the Pacific, Shoreline Park, Rainbow Harbor, a retail portion and a condominium housing portion. Currently, the City estimates that The Pike at Rainbow Harbor has a total market vacancy rate of 22.8%.

Rainbow Harbor, named after Long Beach's famous Rainbow Pier from the early part of the twentieth century, offers visitors a wide variety of dinner cruises, fishing and diving charters, and water taxis that shuttle between the downtown entertainment district and the historic Queen Mary oceanliner. The Aquarium of the Pacific is located on a five-acre site within Rainbow Harbor, and contains exhibits with more than 11,000 ocean animals. The Aquarium also contains a theater, education center, shark lagoons, an indoor/outdoor restaurant and a large gift shop.

Petroleum Production

The Wilmington Oil Field, which is one of the largest oil fields in the United States, traverses Long Beach. Since 1939, the City has developed and managed the oil operations on its Upland and Tideland properties. The Upland properties are owned by the City and the revenues can be used for general-purpose activities. The Tideland properties are owned by the City in trust for the State. The revenues generated by the Tideland properties, by legislation, are shared between the City, State and two contracting oil production companies, Occidental Petroleum Corp. and Tidelands Oil Production

Company. The City's share can only be used in support of Tidelands purposes. Operation of the Wilmington Oil Field is managed by two contractors, Tidelands Oil Production Company and Occidental Petroleum Corp.

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

Transportation

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

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

The San Diego Freeway (I-405), the San Gabriel River Freeway (I-605) and the Long Beach Freeway (I-710) all traverse the City, as do State Highways 1, 19, 22, 91 and 213. This highway grid places both the City of Los Angeles and Los Angeles International Airport within a 30-minute drive.

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

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

Port of Long Beach

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

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

envision enlarging and consolidating several of the container terminals due to the demand for larger facilities.

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

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

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

The following is a breakdown of cargo handled by the Harbor Department at municipal berths during the past two fiscal years in tonnage and revenue.

TABLE XIII
Harbor Department Cargo Summary

| | Fiscal Year 2010 | | | | Fiscal Year 2011 | | | |
|-----------------------|-----------------------------|-----------------------|------------------|-----------------------------|-----------------------------|-----------------------|------------------|-----------------------------|
| | Metric Revenue Tons (000's) | Percent of Total Tons | Revenue (000's) | Percent of Shipping Revenue | Metric Revenue Tons (000's) | Percent of Total Tons | Revenue (000's) | Percent of Shipping Revenue |
| Containerized | 107,309 | 73% | \$246,519 | 81% | 113,104 | 73% | \$267,470 | 81% |
| Petroleum/Liquid Bulk | 32,185 | 22 | 17,324 | 6 | 31,826 | 21 | 16,446 | 5 |
| Dry Bulk | 6,541 | 4 | 19,385 | 6 | 7,909 | 5 | 22,226 | 7 |
| General Cargo | <u>1,322</u> | <u>1</u> | <u>20,768</u> | <u>7</u> | <u>1,579</u> | <u>1</u> | <u>22,845</u> | <u>7</u> |
| Totals | <u>147,357</u> | <u>100%</u> | <u>\$147,357</u> | <u>100%</u> | <u>154,417</u> | <u>100%</u> | <u>\$328,987</u> | <u>100%</u> |

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

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

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

Long Beach Airport

The City owns and operates the Long Beach Airport (the "Airport"), which has five runways varying from 4,200 to 10,000 feet in length. Pursuant to a court-ordered settlement reached in 1989, the current daily flight limits are 41 commercial jet airline and 25 commuter landings and takeoffs ("slots").

Included in the 41 aircraft slots are (i) commercial airline service provided by JetBlue Airways, Mesa Airlines (doing business as US Airways Express), SkyWest Airlines & Delta Airlines (doing business as Delta Connection) and Horizon Air, and (ii) cargo flights operated by Federal Express and United Parcel Service. The Airport is home to over 400 commercial, corporate and general aviation services, flight schools, air cargo, manufacturing and two Class A business parks.

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

The Airport is an important aircraft manufacturing and completion center, currently hosting two industry giants, The Boeing Company and Gulfstream Aerospace Corporation. Between these two firms, thousands of jobs help fuel the local economy.

The following table sets forth operations at the Airport during Fiscal Years 2007 through 2011.

TABLE XV
Long Beach Airport Traffic

| <u>Fiscal Year</u> | <u>Passengers</u> | <u>Cargo (lbs.)</u> | <u>Aircraft Operations</u> |
|--------------------|-------------------|---------------------|----------------------------|
| 2007 | 2,880,583 | 100,354,000 | 399,622 |
| 2008 | 2,878,005 | 100,092,000 | 354,727 |
| 2009 | 2,930,911 | 72,312,000 | 302,672 |
| 2010 | 2,921,931 | 58,951,000 | 317,328 |
| 2011 | 3,081,606 | 55,958,000 | 303,252 |

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

Utilities

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

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

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

Education

The City is served by the Long Beach Unified School District, which provides primary and secondary educational instruction for approximately 83,979 students through the operation of 60 elementary schools, 16 junior high schools, nine high schools, one K-12 school, two alternative schools, and one continuation school. There are additionally four charter schools. Post-secondary education is available at Long Beach City College, a tax-supported two-year institution administered by the Long

Beach Community College District. In addition to the lower division college program, extensive adult education and trade school facilities are offered at Long Beach City College, with a current enrollment that exceeds 26,097 per semester. California State University – Long Beach is located on a 320-acre site in the eastern portion of the City on land donated by the City. Opened in 1949 as Los Angeles-Orange County State College, the institution has been given university status and has a current enrollment of approximately 31,999 per semester. The University’s distinguished educational program offers various undergraduate and graduate degree programs. Enrollment in the educational system serving the City and its residents for the past five years is set forth below:

**TABLE XVI
City of Long Beach
Educational Enrollment**

| <u>Year</u> | <u>Long Beach Unified School District</u> | <u>Long Beach City College*</u> | <u>California State University (Long Beach)*</u> |
|-------------|---|---------------------------------|--|
| 2007 | 88,186 | 26,837 | 34,606 |
| 2008 | 87,509 | 28,372 | 35,850 |
| 2009 | 86,283 | 29,665 | 35,957 |
| 2010 | 85,257 | 28,447 | 33,416 |
| 2011 | 83,979 | 26,097 | 31,999 |

* Average enrollment per semester.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

The City also serves as the permanent headquarters for the 21-campus California State University and College System. The California University and College System’s headquarters are located on a 6.4-acre site in the western portion of the City on land donated by the City. California State University Long Beach continues to be one of the most popular institutions in California. It has built a successful student recruitment program that continues to attract high-achieving students, while maintaining a historical commitment to access.

Community Facilities

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

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

The Parks, Recreation and Marine Department provides free and fee-based recreational programs and leisure opportunities, both self-directed and organized, for people of all ages and cultures. Youth programs include free youth sports for ages 5 to 18 serving thousands of participants annually, summer and vacation day camps, hundreds of recreational and educational classes, sailing and aquatics instruction,

teen center activities, skateboarding opportunities, and supervised after-school and weekend activities at parks, schools and mobile recreation sites.

Adult recreation opportunities include sports leagues, tennis and golf facilities and instruction. Recreation programs and social services for seniors are offered at community centers. Family recreation opportunities include Long Beach Municipal Band concerts, cultural arts programs, environmental programs, citywide and neighborhood special events, boating facilities, as well as general park and beach use.

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

Largest Taxpayers

No single taxpayer accounts for more than 1.03% of the City's total assessed valuation. The largest taxpayer is The Boeing Company, which had an assessed valuation as of September 30, 2011 of approximately \$416 million. The City's top 10 principal taxpayers are presented in the following table.

TABLE XVII
City of Long Beach
Major Taxpayers
as of September 30, 2011

| <u>Taxpayer</u> | <u>Industry</u> | <u>Assessed Valuation (in Thousands)*</u> | <u>Percentage of Total Net Assessed Valuation</u> |
|--|-----------------|---|---|
| 1. The Boeing Company | Industrial | \$ 415,898 | 1.03% |
| 2. Macerich Lakewood LLC | Power Plant | 286,656 | 0.71 |
| 3. AES Alamosa LLC | Power Plant | 229,400 | 0.57 |
| 4. Legacy Partners II LB World Trade LLC | Office Building | 153,840 | 0.38 |
| 5. 2009 CUSA Community Owner LLC | Office Building | 136,697 | 0.34 |
| 6. TrizecHahn Colony Square GP LLP | Apartments | 114,069 | 0.28 |
| 7. GRE Shoreline Square LP | Industrial | 94,380 | 0.23 |
| 8. Nobel Utah Long Beach LLC | Hotel | 90,933 | 0.23 |
| 9. ARCO Terminal Services Corp | Industrial | 84,573 | 0.21 |
| 10. 200 Oceangate LLC | Real Estate | <u>83,050</u> | <u>0.21</u> |
| Total | | \$1,689,496 | 4.19% |

* Local secured assessed valuation. Excludes mineral rights, possessory interest and unsecured assessed valuation.
Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

CITY FINANCIAL INFORMATION

General

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

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

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

Budgetary Process

The City's Charter governs the budget development process and deadlines. Per the Charter, the City Council adopts an annual budget for all funds prior to the start of the new fiscal year, which begins on October 1. Based upon the City Council's priorities and community feedback received during the budget development process, the City Manager submits a proposed budget to the Mayor on or before August 1. In a recent election, the Mayor was granted line-item veto. The Mayor then presents the City Manager's proposed budget with any additional recommendations to the City Council on or before August 15, after which public budget workshops and hearings are conducted with the City Council during which further amendments can be made. If the City Council does not successfully adopt a budget before October 1, the City manager's budget as proposed becomes the budget for the new fiscal year.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. In the past, the City Council has amended the budget, if necessary, on a quarterly basis. The City Manager may transfer appropriations within the departments, and within a given fund, without City Council approval; provided that the total appropriation at the fund level and at the department level does not change. Transfers of appropriations between funds or between departments require City Council approval. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered, however unspent appropriations in all-year funds and subfunds roll over into subsequent fiscal years until they are exhausted.

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

Current Financial Conditions of the State and the City

A number of the City's revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. On-going weak economic conditions have resulted in significant revenue shortfalls to the State.

There can be no assurances that, as a result of the current State financial stress, it will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. No prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. The City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the City's finances and operations or what actions

will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control. There can be no assurances that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

Similar to the State, the City has experienced financial pressure due to the economic downturn beginning in 2008. The length and depth of the economic downturn has resulted in a lack of growth in revenues in recent years, due to the stagnant economy. The City has generally addressed expenditure pressures through layoffs, not filling vacant positions, and various cost-cutting measures in all departments at the City. Additionally, the City continues to negotiate with labor groups to reduce retirement costs for City employees.

The Proposed Fiscal Year 2013 Budget (the "Proposed Budget") is a balanced budget, and reflects several years of review, examination and reassessment of the City's priorities and financial constraints and identifies structural deficits through Fiscal Year 2015. The Proposed Budget includes solutions proposed by the City including departmental reductions, employee contributions, government reform, pension reform, and new revenue generation. In addition, the City has taken proactive measures to establish a long-term strategic approach. Utilizing the "proportionate share" model approach of allocating necessary cost reductions, the City has established a savings target resulting in solutions to the General Fund structural deficit of \$17.2 million in Fiscal Year 2013 and have identified a General Fund structural deficit of \$17.3 million in total for Fiscal Years 2014 and 2015. In addition, the City's departments were assigned reduction targets to curtail their growth, primarily reductions in salary increases and pension cost increases. The approach ensures that the City's police and fire departments receive almost 68% of the General Fund resources each year while keeping funds to pay for services such as parks, libraries, sidewalks, code enforcement, animal control, and internal support services.

As of February 1, 2012, the Redevelopment Agency of the City was dissolved pursuant to State law. The City does not anticipate any potential impacts to the City's General Fund a result of the dissolution of the City's Redevelopment Agency.

The City Council is expected to adopt the Fiscal Year 2013 Budget (the "2013 Budget") by September 15, 2012. The adjustments to the 2013 Budget numbers are not expected to be significantly different from the Proposed Budget numbers.

Financial Statements

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

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

The following financial statements reflect transactions and balances in the City's General Fund. Table XVIII provides a statement of revenues, expenditures and changes in fund balances for the Fiscal Years 2007 through 2011. Table XIX presents the City's final General Fund budget for Fiscal Year 2011, the City's audited actuals for the General Fund for Fiscal Year 2011, the City's adopted General Fund

budget for Fiscal Year 2012, and the City's proposed General Fund budget for Fiscal Year 2013. These tables are excerpts from the City's financial statements and may not include all relevant information. A complete review of the City's financial statements attached hereto as "APPENDIX A—CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2011" including the footnotes thereto, is necessary in order to make an informed investment decision.

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TABLE XVIII
City of Long Beach
General Fund Revenues and Expenditures
(in Thousands)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> ¹ | <u>2011</u> |
|--|------------------|------------------|------------------|--------------------------|--------------------|
| Revenues | | | | | |
| Property Taxes | \$ 71,185 | \$ 75,916 | \$ 79,175 | \$ 106,930 | \$ 116,692 |
| Other Taxes ² | 144,237 | 148,514 | 133,846 | 116,014 | 121,934 |
| Franchise Fees | -- | -- | -- | 24,040 | 24,184 |
| Licenses and Permits | 12,716 | 13,388 | 12,910 | 15,563 | 16,303 |
| Fines and Forfeitures | 17,644 | 18,509 | 19,501 | 17,042 | 16,193 |
| Use of Money and Property | 21,949 | 22,856 | 20,258 | 42,428 | 50,486 |
| From Other Agencies | 44,587 | 48,534 | 49,464 | 5,956 | 5,035 |
| Charge for Services | 23,468 | 24,760 | 27,052 | 24,870 | 26,897 |
| Other | <u>7,212</u> | <u>11,070</u> | <u>7,152</u> | <u>7,744</u> | <u>6,100</u> |
| Total Revenue | <u>\$342,998</u> | <u>\$363,547</u> | <u>\$349,358</u> | <u>\$360,587</u> | <u>\$383,824</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Legislative and Legal | \$ 13,602 | \$ 12,481 | \$ 11,649 | \$ 10,806 | \$ 9,683 |
| General Government | 10,813 | 11,221 | 9,037 | 14,772 | 18,556 |
| Public Safety | 255,161 | 263,216 | 269,085 | 272,905 | 274,768 |
| Public Health | 4,833 | 4,812 | 4,962 | 5,132 | 5,483 |
| Community and Cultural | 48,143 | 48,957 | 44,172 | 41,844 | 40,265 |
| Public Works | 28,466 | 28,758 | 29,017 | 28,517 | 28,558 |
| Oil Operations | -- | -- | -- | 6,718 | 7,173 |
| Total Current Expenditures | <u>\$361,018</u> | <u>\$369,445</u> | <u>\$367,922</u> | <u>\$380,694</u> | <u>\$384,441</u> |
| Debt Service³: | | | | | |
| Principal | \$ 6,706 | \$ 5,191 | \$ 8,369 | \$ -- | \$ -- |
| Interest | 8,278 | 8,107 | 7,503 | -- | -- |
| Debt Administration Fees | -- | 88 | 166 | -- | -- |
| Total Expenditures | <u>\$376,002</u> | <u>\$382,831</u> | <u>\$383,960</u> | <u>\$380,694</u> | <u>\$384,441</u> |
| Excess of Revenues Over (Under) Expenditures | (33,004) | (19,284) | (34,602) | (20,017) | (617) |
| Other Financing Sources (Uses) Proceeds | | | | | |
| From Other Long-Term Obligations | \$ 1,962 | \$ -- | \$ -- | \$ 988 | \$ -- |
| Advances Change in Principal | 3,377 | -- | -- | -- | -- |
| Operating Transfers In ⁴ | 35,443 | 39,426 | 39,025 | 26,670 | 24,565 |
| Operating Transfers Out ⁵ | <u>(11,001)</u> | <u>(3,226)</u> | <u>(3,085)</u> | <u>(14,040)</u> | <u>(120,657)</u> |
| Total Other Financing Sources (Uses) | <u>\$ 29,781</u> | <u>\$ 36,200</u> | <u>\$ 35,940</u> | <u>\$ 13,618</u> | <u>\$ (96,092)</u> |
| Excess of Revenues Over (Under) Expenditures and Other Uses ⁵ | (3,223) | 16,916 | 1,338 | (6,489) | (96,709) |
| Fund Balance—October 1 | <u>147,437</u> | <u>144,214</u> | <u>161,130</u> | <u>170,191</u> | <u>163,702</u> |
| Fund Balance—September 30 | <u>\$144,214</u> | <u>\$161,130</u> | <u>\$162,468</u> | <u>\$163,702</u> | <u>\$ 66,993</u> |

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

² Includes sales and use tax, utility users tax, other taxes and property tax in lieu of sales and use tax from Proposition 57.

³ As part of the implementation of GASB 54, starting in Fiscal Year 2011, the City pays debt service from the General Debt Service Fund. The General Debt Service Fund is funded pursuant to an operating transfer out of the General Fund. See footnote 5.

⁴ The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2011, the Solid Waste Management Fund transferred moneys to the General Fund (\$4.4 million) for earnings due to the City under a Joint Powers Agreement between the City and Los Angeles County Sanitation District Number 2 and the Gas Utility Fund (\$10.1 million). See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 26." Various other moneys owed to the General Fund from previous transfers out and revenues are also represented.

⁵ The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2011, the General Fund transferred approximately \$18.8 million to the Non-Major Governmental Funds (\$15.3 of such transfer was to the General Debt Service Fund) and approximately \$101.1 to

Redevelopment Capital Projects.

⁶ The City has used previous years' general fund balances (previous years' surplus) to cover budget shortfalls. The City has not used borrowings from restricted funds to cover budget shortfalls.

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Years 2007 through 2011

TABLE XIX
City of Long Beach
Final General Fund Budget for Fiscal Year 2011,
Audited Actuals for Fiscal Year 2011,
Adopted General Fund Budget for Fiscal Year 2012, and
Proposed General Fund Budget for Fiscal Year 2013
(in Thousands)

| <u>Fiscal Year</u> | <u>Final Budget 2011</u> | <u>Audited Actuals 2011</u> | <u>Adopted Budget 2012</u> | <u>Proposed Budget 2013</u> |
|---|----------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| Revenues | | | | |
| Property Taxes | \$ 114,965 | \$ 116,692 | \$ 113,618 | |
| Other Taxes ¹ | 121,768 | 121,934 | 122,977 | |
| Franchise Fees | 23,211 | 24,184 | 23,414 | |
| Licenses and Permits | 17,406 | 16,303 | 17,620 | |
| Fines and Forfeitures | 17,012 | 16,193 | 16,958 | |
| Use of Money and Property | 48,347 | 50,486 | 35,012 | |
| From Other Agencies | 6,203 | 5,035 | 5,089 | |
| Charges for Services | 25,088 | 26,897 | 25,808 | |
| Other | <u>6,502</u> | <u>6,100</u> | <u>8,882</u> | |
| Total Revenue | <u>\$380,502</u> | <u>\$383,824</u> | <u>\$369,378</u> ² | |
| Expenditures | | | | |
| Current: | | | | |
| Legislative and Legal | \$ 10,105 | \$ 9,683 | \$ 11,364 | |
| General Government | 16,100 | 18,556 | 31,083 | |
| Public Safety | 277,515 | 274,768 | 266,478 | |
| Public Health | 5,321 | 5,483 | 5,506 | |
| Community & Cultural | 40,918 | 40,265 | 36,861 | |
| Public Works | 28,679 | 28,558 | 28,093 | |
| Oil Operations | <u>8,357</u> | <u>7,173</u> | <u>6,746</u> | |
| Total Current Expenditures | <u>\$ 386,995</u> | <u>\$384,441</u> | <u>\$386,131</u> | |
| Debt Service ³ | <u>\$ 72</u> | <u>\$ --</u> | <u>\$ 16</u> | |
| Total Expenditures | <u>\$387,067</u> | <u>\$384,441</u> | <u>\$386,147</u> | |
| Excess of Revenues Over (Under) Expenditures | \$ (6,565) | \$ (617) | \$(16,769) | |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In ⁴ | \$ 25,831 | \$ 24,565 | \$ 29,701 | |
| Operating Transfers Out ⁵ | <u>(19,128)</u> | <u>(120,657)</u> | <u>(12,608)</u> | |
| Total Other Financing Sources (Uses) | <u>\$ 6,703</u> | <u>\$ (96,092)</u> | <u>\$ 17,093</u> | |
| Excess of Revenues Over (Under) Expenditures and Financing Sources (Uses) ⁶ | \$ 138 | \$ (96,709) | \$ 324 | |
| Beginning Fund Balance—October 1 | 163,374 | 163,702 | 66,812 | |
| Encumbrances—October 1 | <u>328</u> | <u>--</u> | <u>181</u> | |
| Ending Fund Balance—September 30 | <u>\$163,840</u> | <u>\$ 66,993</u> | <u>\$ 67,317</u> | |

¹ Includes sales and use tax, utility users tax, other taxes and property tax in lieu of sales and use tax from Proposition 57. Note that property tax in lieu of sales and use tax is categorized as revenues "From Other Agencies."

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

³ As part of the implementation of GASB 54, starting in Fiscal Year 2011, the City pays debt service from the General Debt Service Fund. The General Debt Service Fund is funded pursuant to an operating transfer out of the General Fund. See footnote 5.

⁴ The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2011, the Solid Waste Management Fund transferred moneys to the General Fund (\$4.4 million) for earnings due to the City under a Joint Powers Agreement between the City and Los Angeles County Sanitation District Number 2 and the Gas Utility Fund (\$10.1 million). See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS- Proposition 26." Various other moneys owed to the General Fund from previous transfers out and revenues are also represented.

⁵ The City regularly transfers current financial resources from one fund to another. In Fiscal Year 2011, the General Fund transferred approximately \$18.8 million to the Non-Major Governmental Funds (\$15.3 of such transfer was to the General Debt Service Fund) and approximately \$10.1 to Redevelopment Capital Projects.

⁶ The City has used previous years' general fund balances (previous years' surplus) to cover budget shortfalls. The City has not used borrowings

from restricted funds to cover budget shortfalls.
Source: City of Long Beach

Pension Plans and Post-Retirement Health Care Benefits

CalPERS. The City contributes to and contracts with California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan, for full-time employees retirement and disability benefits. 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 2011, safety and miscellaneous plan participants were required to contribute 9% and 8% of their annual covered salary, respectively. However, in certain cases, as a benefit to plan members, the City has elected to pay a portion of the plan members portion of the contribution requirements. In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll. For Fiscal Year 2011, the employer contribution rates were 12.297% for miscellaneous employees and 17.097% for safety employees. For Fiscal Year 2012, the employer contribution rates are 16.072% for miscellaneous employees and 22.687% for safety employees. For Fiscal Year 2013, the contribution rates are expected be 15.159% for miscellaneous employees and 22.315% for safety employees.

As of the most recent actuarial valuation date (June 30, 2010), the safety plan had an unfunded actuarial accrued liability of approximately \$73,275,000, with a funding ratio of 95.9%, and the miscellaneous plan had an unfunded actuarial accrued liability of approximately \$195,881,000, with a funding ratio of 89.6%. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of the safety plan or the miscellaneous plan, as applicable. The ratios change every valuation year, reflecting asset performance, demographic changes, actuarial assumption/method changes, benefit structure changes or a variety of other actuarial gains and losses. Generally, the impact of gains/losses from CalPERS investments are determined by using a rolling average methodology of gains and losses year over. The most recent year's impact does not affect the stakeholder's contribution rates until three

years later. However, CalPERS believes the economic events beginning in Fiscal Year 2009 have been unique, and therefore should be treated separately from past gains/losses. Therefore, CalPERS approved a smoothing methodology for Fiscal Year 2010 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 the methodology resulted in a second layer of contributions added to the rolling 30-year results the City has been using in past years. Just recently, CalPERS approved a quarter point reduction in its investment return forecast, resulting in an employer contribution rate increase (effective as of July 1, 2012). CalPERS is planning a two-year phase-in of the rate increase using the smoothing methodology it has been using in past years.

The following table shows the City's historical funding progression of CalPERS for 2006 through 2010, as of a June 30 actuarial valuation date. The 2009 values reflected in the table below do not reflect a significant portion of Fiscal Year 2008-2009 losses because of the smoothing methodology used by CalPERS. Furthermore, there can be no assurances that contribution rates will not continue to increase.

TABLE XX
City of Long Beach
CalPERS Analysis of Funding Progress
(Unaudited)
(in Thousands)

| June 30 Actuarial Valuation Date | Actuarial Value of Assets (a) | Entry Age Normal Accrued Liability (b) | Excess Funded (Deficit/ Unfunded) Assets (a) - (b) | Funded Status (a) / (b) | Annual Covered Payroll (c) | Excess Funded (Deficit/ Unfunded) Assets as a % of Covered Payroll [(a) - (b)] / (c) |
|---|--|--|--|-------------------------------|-------------------------------------|--|
| Miscellaneous Employees | | | | | | |
| 2006 | \$1,394,797 | \$1,467,665 | \$ (72,868) | 95.0% | \$193,944 | (37.6)% |
| 2007 | 1,489,681 | 1,558,205 | (68,524) | 95.6 | 204,765 | (33.5) |
| 2008 | 1,576,158 | 1,667,773 | (91,615) | 94.5 | 215,224 | (42.6) |
| 2009 | 1,630,805 | 1,846,094 | (215,289) | 88.3 | 221,150 | (97.3) |
| 2010 | 1,692,444 | 1,888,325 | (195,881) | 89.6 | 221,420 | (88.5) |
| Safety Employees | | | | | | |
| 2006 | \$1,424,542 | \$1,388,324 | \$36,218 | 102.6% | \$110,146 | 32.9% |
| 2007 | 1,514,813 | 1,479,271 | 35,542 | 102.4 | 119,753 | 29.7 |
| 2008 | 1,602,457 | 1,592,667 | 9,790 | 100.6 | 132,156 | 7.4 |
| 2009 | 1,652,960 | 1,730,518 | 77,558 | 95.5 | 137,923 | (56.2) |
| 2010 | 1,713,418 | 1,786,693 | 73,275 | 95.9 | 133,770 | (54.8) |

Source: City of Long Beach

See "Note 14 - Retirement Programs" in "APPENDIX A—CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2010" for additional information about CalPERS.

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

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

The following information describes the calculation methodology:

(a) The Plan's annual pension cost ("APC") for Fiscal Year 2011 is based on data from Fiscal Year 2010 and was \$105,000; based on the same methodology, the APC for Fiscal Year 2012 is projected to be \$109,000.

(b) The actuarial liabilities and assets are valued as of September 30, 2010.

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

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

The unfunded actuarial liability is the difference between the actuarial accrued liability and plan assets. This difference is amortized as a level dollar amount (in the 2010 actuarial valuation used to determine the Fiscal Year 2011 APC, a seven-year amortization is used for the September 30, 2006 unfunded liability and a 10-year amortization is used for all other gains and losses) to determine the unfunded actuarial liability rate. The actuarial value of plan assets is based on a five-year smoothing of gains and losses. The actuarially assumed interest rate for the 2010 valuation was 5.25%.

See "Note 14 – Retirement Programs" in "APPENDIX A—CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2011" for additional information about the Plan.

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

calendar year 1996, and a second incentive offered a 16 hour increase in sick leave per year of service for management employees who retired by June 30, 2004.

At September 30, 2011, there were 557 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 \$20.9 million. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for Fiscal Year 2011 were \$9.0 million, and are included in the expenses of the Employee Benefits Internal Service Fund.

As of September 30, 2011, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$105.7 million, based on an actuarial study of current and future retiree accumulated sick leave performed in accordance with Governmental Accounting Standards Board's Statement No. 16, "Accounting for Compensated Absences". The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996, and 2009 negotiated public safety health benefit supplements. 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 \$7.8 million has been fully funded, over time, through burden rates charged to the City's various fund, applied as a percent of current productive salaries.

See "Note 15 – Post Retirement Health Care Benefits" in "APPENDIX A—CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2011" for additional information about the post-retirement health care benefits provided to the employees of the City.

Employer/Employee Relations

The City recognizes various employee organizations, the largest ones being the International Association of Machinists ("IAM"), Police Officers Association ("POA") and Fire Fighters Association ("FFA"), which collectively represent approximately 84% of all City employees in a variety of classifications. Most City employees are covered by negotiated agreements.

The contract with the IAM is in effect until September 30, 2013. The members of the POA are covered by contracts in effect until September 30, 2016. The City has not experienced a major work stoppage by City employees in the past five years.

Insurance Coverage

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. The City has in place all-risk property insurance in the amount of \$1 billion and a Public Employee Dishonesty policy, including a Faithful Performance policy, with limits of \$10,000,000 which covers all employees, officers and elected officials.

As of September 30, 2011 a reserve of \$114.4 million had been established to cover anticipated claims and judgments. This represents estimates of amounts to be paid for actual and incurred but not reported claims based upon past experience, modified for current trends and developments. The City does not have any outstanding annuities. The City has recorded a current liability of \$21.6 million and a long-term liability of \$92.8 million in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2011 is dependent on future developments. Based upon actuary evaluation, the City's management believes that the aggregate accrual adequately represents such losses.

Bonded Indebtedness

As of July 31, 2012 the City had outstanding revenue bonds of approximately \$1.6 billion, of which approximately \$10.1 million are payable from the City General Fund. Also outstanding were (a) lease revenue bonds in the amount of approximately \$335 million, of which approximately \$166 million are payable from the City General Fund*, (b) tax allocation revenue bonds, which include redevelopment bonds (not payable from the City General Fund*) in the amount of approximately \$166 million, and (c) pension obligation bonds (payable from the City General Fund*) in the amount of approximately \$55 million.

In addition to the outstanding revenue bonds described above, the City has established commercial paper programs (not payable from the City General Fund*) for: (a) the Harbor Department in the aggregate principal amount of \$383,500,000 (none of which was outstanding as of July 31, 2012); (b) the Water Department's Sewer Fund in the aggregate principal amount of \$20,000,000 (none of which was outstanding as of July 31, 2012); (d) the Long Beach Airport in the aggregate principal amount of \$25,000,000 (none of which was outstanding as of July 31, 2012); and (e) the Gas and Oil Department in the aggregate principal amount of \$35,000,000 (\$3,000,000 million aggregate principal amount of which was outstanding as of July 31, 2012). Currently, the commercial paper programs for the Harbor Department, the Sewer Department and Long Beach Airport are not supported by letters of credit, and therefore no commercial paper notes may be issued under those programs at this time. The City has no plans to obtain new letters of credits on those programs at this time. Additionally, on May 26, 2011, the Sewer Department obtained a revolving line of credit from Wells Fargo, National Association, in the amount of \$20,000,000, which expires on May 26, 2014.

The City has no outstanding general obligation debt and has never defaulted on any principal or interest payments associated with any of its debt obligations. The City's currently outstanding indebtedness is set forth in the tables below:

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* General Fund totals include Internal Service Funds.

TABLE XXI
City of Long Beach
Summary of the City and Related Agencies
Outstanding Debt
(as of July 31, 2012)

Revenue Bonds

| <u>Issue Name</u> | <u>Final Maturity</u> | <u>Original Par Amount</u> | <u>Amount Outstanding</u> |
|---|-----------------------|----------------------------|---------------------------|
| Series 2012A Water Revenue Bonds | [] | \$[] | \$[] |
| Series 2010A Water Revenue Refunding Bonds ¹ | 2024 | 22,740,000 | 22,250,000 |
| Series 2010A & B Airport Revenue Bonds | 2040 | 61,400,000 | 61,160,000 |
| Series 2010B Harbor Revenue Refunding Bonds ² | 2027 | 158,085,000 | 157,760,000 |
| Series 2010A Harbor Revenue Bonds | 2025 | 200,835,000 | 181,355,000 |
| Series 2009A, B & C Airport Revenue Bonds and Airport Revenue Refunding Bonds ³ | 2039 | 61,440,000 | 59,515,000 |
| Series 2007A & B, Long Beach Bond Finance Authority ("LBBFA") Natural Gas Purchase Revenue Bonds (Fixed Rate) ² | 2032 | 635,665,000 | 560,365,000 |
| Series 2007B LBBFA Natural Gas Purchase Revenue Bonds (LIBOR Index Rate) ³ | 2033 | 251,695,000 | 69,005,000 |
| Series 2005A & B LBBFA Limited Obligation Refunding Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) (Central Redevelopment, Los Altos Redevelopment, North Long Beach Redevelopment, Poly High Redevelopment and West Beach Redevelopment Project Areas and Housing Projects) | 2040 | 184,757,306 | 167,657,306 |
| Series 2005 Gas Utility Bonds ⁵ | 2013 | 7,675,000 | 1,770,000 |
| Series 2005A LBBFA Limited Obligation Refunding Revenue Bonds (AD 90-3) | 2015 | 2,100,000 | 980,000 |
| Series 2005A & B Harbor Revenue Refunding Bonds | 2025 | 257,975,000 | 117,200,000 |
| Series 2004A Taxable Variable Rate Demand Revenue Bonds (Towne Center) * | 2030 | 11,595,000 | 10,095,000 |
| Series 2004A & B Harbor Revenue Refunding Bonds ⁶ | 2018 | 113,410,000 | 45,685,000 |
| Series 2002B Harbor Revenue Bonds | 2027 | 150,000,000 | 48,455,000 |
| Series 1998A Harbor Revenue Refunding Bonds | 2019 | 206,330,000 | 98,215,000 |
| Series 1997A Water Revenue Refunding Bonds | 2024 | 46,945,000 | 5,175,000 |

¹ Proceeds were used to partially refund the Series 1997A Water Revenue Refunding Bonds.

² Proceeds were used to partially refund the Series 2002B Harbor Revenue Bonds, the Series 2004A Harbor Revenue Refunding Bonds and the Series 2005A Harbor Revenue Refunding Bonds.

³ The Series 2009C Airport Revenue Bonds are Federally Taxable – Build America Bonds which includes a federal direct payment equal to 35% of the interest payable on the Series 2009C Airport Revenue Bonds.

⁴ Proceeds were used to prepay the costs of the acquisition of a specified supply of natural gas to be delivered over approximately 30 years under an agreement between Merrill Lynch Commodities, Inc. ("Seller") and LBBFA. The Seller is obligated to deliver specified daily quantities of gas to LBBFA, make certain payments for any gas not delivered and to remarket gas not taken by the City. In the event the transaction is terminated by the Seller, there is a termination payment due to LBBFA. Merrill Lynch & Co. unconditionally guarantees the payment obligations of the Seller under the agreement. A tender offer was completed on August 12, 2009 reducing the outstanding debt of the Series 2007A & B LBBFA Natural Gas Purchase Revenue Bonds by \$48,255,000 and \$182,690,000, respectively.

⁵ Issued as part of Long Beach Bond Finance Authority Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) 2005 Series A.

⁶ Defeased the Series 1993 Harbor Revenue Bonds aggregate principal amount of \$127,470,000.

* Payable from the City General Fund.

Source: City of Long Beach

Lease Revenue Bonds

| <u>Issue Name</u> | <u>Final Maturity</u> | <u>Original Par Amount</u> | <u>Amount Outstanding</u> |
|--|---------------------------|--------------------------------|-------------------------------|
| LBBFA 2012 Refunding Revenue Bonds (Aquarium of the Pacific Project) ¹ | 2030 | \$ 102,580,000 | \$ 102,580,000 |
| 2010 Lease Agreement between Bank of America Public Capital Corporation and the City ^{2,*} | 2027 | 31,450,000 | 28,435,000 |
| Series 2006B LBBFA Lease Revenue Bonds (Parks/Open Space Financing Project) [*] | 2031 | 24,320,000 | 24,320,000 |
| Series 2006A LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor Refinancing Project) ^{3,*} | 2024 | 50,785,000 | 36,655,000 |
| Series 2005A LBBFA Lease Revenue Refunding Bonds (Temple Willow Facility Refinancing Project) ^{4,*} | 2028 | 8,145,000 | 6,430,000 |
| Series 2003A (Non-AMT) & B (AMT) Southeast Resource Recovery Facility Authority Lease Revenue Bonds ⁵ | 2018 | 120,235,000 | 65,615,000 |
| Series 2003 LBFFA Lease Revenue Bonds (Skylinks Golf Course Project) [*] | 2029 | 6,890,000 | 5,375,000 |
| Series 2002 LBBFA Lease Revenue Bonds (Public Safety Facilities) [*] | 2031 | 40,915,000 | 34,690,000 |
| Series 2001 LBBFA Lease Revenue Bonds (Plaza Parking Facilities) ^{6,*} | 2027 | 11,500,000 | 8,860,000 |
| Series 1998B LBBFA Lease Revenue and Refunding Bonds (Temple Willow) [*] | 2027 | 29,565,000 | 21,645,000 |

¹ LBBFA 2012 Refunding Revenue Bond (Aquarium of the Pacific Project) issued April 3, 2012 refunded the Series 2001 LBBFA Lease Revenue Refunding Bonds (Aquarium of the Pacific Project).

² The 2010 Lease Agreement Refunded the Series 1997A LBBFA Lease Revenue Refunding Bonds (Civic Center Project).

³ Series 2006 LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor) issued April 2006 refunded the Series 1999A LBBFA Revenue Bonds (Rainbow Harbor) and the 1997 Queensway Parking Facility Bonds.

⁴ Series 2005 LBBFA Lease Revenue Refunding Bonds (Temple Willow) issued August, 2005 refunded the Series 1998A LBBFA Revenue Bonds (Temple Willow).

⁵ Series 2003A & B Southeast Resource Recovery Facility Authority Lease Revenue Bonds issued November 12, 2003 refunded the Series 1995A & B Southeast Resource Recovery Facility Authority Lease Revenue Refunding Bonds.

⁶ Series 2001 LBBFA Lease Revenue Bonds (Plaza Parking Facilities) defeased a portion (\$8,755,000 original par) of the Series 1992 Tax Allocation Revenue Bonds (West Long Beach Industrial and Downtown Project).

^{*} Payable from the City General Fund.

Source: City of Long Beach

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Tax Allocation Revenue Bonds

| <u>Issue Name</u> | <u>Final Maturity</u> | <u>Original Par Amount</u> | <u>Amount Outstanding</u> |
|--|-----------------------|----------------------------|---------------------------|
| Series 2010A & B Redevelopment Agency of the City of Long Beach, Taxable Recovery Zone Economic Development Bonds (North Long Beach) | 2040 | \$ 32,980,000 | \$ 32,390,000 |
| Series 2005C LBBFA Tax Allocation Revenue Bonds (Downtown and North Long Beach Redevelopment Project Areas) ¹ | 2031 | 35,045,000 | 34,785,000 |
| Series 2002A LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment; North Long Beach Redevelopment; Poly High Redevelopment and West Beach Redevelopment Project Areas) | 2031 | 77,715,000 | 25,864,789 |
| Series 2002B LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment and West Long Beach Industrial Redevelopment Project Areas) ² | 2024 | 47,780,000 | 41,490,000 |
| Series 1992 Tax Allocation Revenue Refunding Bonds (West Long Beach Industrial and Downtown Project) | 2017 | 117,490,000 | 31,025,000 |

¹ Series 2005C LBBFA Tax Allocation Revenue Bonds issued February 2006 partially defeased the Series 2002 Long Beach Bond Finance Authority Tax Allocation Revenue Bonds.

² Series 2002B LBBFA Tax Allocation Revenue Bonds issued December 2002 partially defeased the Series 1992 West Long Beach Allocation Revenue Bonds and the Series 1992A Downtown Project Refunding Bonds. Maturity date revised at partial defeasement of 1992 bonds by the Series 2002B LBBFA Tax Allocation Revenue Bonds.

Source: City of Long Beach

Pension Obligation Bonds

| <u>Issue Name</u> | <u>Final Maturity</u> | <u>Original Par Amount</u> | <u>Amount Outstanding</u> |
|--|-----------------------|----------------------------|---------------------------|
| Series 2002A & B Pension Obligation Refunding Taxable Bonds* | 2021 | \$ 76,550,000 | \$54,525,000 |

* Series 2002A&B Pension Obligation Refunding Taxable Bonds partially defeased Series 1995 Pension Obligation Refunding Bonds in September 2002. The remaining issue amount after partial defeasement of the Series 1995 Pension Obligation Bonds was \$23,920,000. Series 2002A&B Pension Obligation Bonds were remarketed on December 30, 2005 to a fixed rate from auction rate.

Source: City of Long Beach

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A schedule of the City's direct and overlapping debt as of September 30, 2011, is below:

TABLE XXII
City of Long Beach
Direct and Overlapping Debt
(in Thousands)

| | | | | |
|---|---------------------|---------------------|---------------------|--------------------|
| 2010-11 Assessed Valuation: | \$42,963,307 | | | |
| Redevelopment Incremental Valuation: | <u>9,670,069</u> | | | |
| Adjusted Assessed Valuation: | <u>\$33,293,238</u> | | | |
| DIRECT DEBT: | | | | |
| City of Long Beach | | <u>Outstanding</u> | <u>Exclusions</u> | <u>Outstanding</u> |
| Lease Revenue Bonds | | \$187,250 | \$73,250 | \$114,000 |
| Marks-Roos Bonds ⁴ | | 29,110 | - | 29,110 |
| Pension Obligations | | 54,520 | - | 54,520 |
| TOTAL DIRECT DEBT | | <u>\$270,880</u> | <u>\$73,250</u> | <u>\$197,630</u> |
| OVERLAPPING TAX AND ASSESSMENT DEBT: | | | | |
| | % Applicable | | | |
| Cerritos Community College District | 0.440% | \$126,423 | \$125,867 | \$556 |
| Compton Community College District | 1.817 | 48,610 | 47,727 | 883 |
| Long Beach Community College District | 88.037 | 345,259 | 41,303 | 303,956 |
| Los Angeles Community College District | 0.039 | 3,504,910 | 3,503,543 | 1,367 |
| ABC Unified School District | 1.679 | 47,020 | 46,231 | 789 |
| Compton Unified School District | 0.023 | 61,523 | 61,509 | 14 |
| Long Beach Unified School District | 88.034 | 545,492 | 65,273 | 480,219 |
| Los Angeles Unified School District | 0.047 | 11,311,050 | 11,305,734 | 5,316 |
| Paramount Unified School District | 7.092 | 54,710 | 50,830 | 3,880 |
| Los Angeles County Flood Control District | 3.626 | 53,795 | 51,844 | 1,951 |
| Metropolitan Water District | 1.866 | 225,335 | 221,130 | 4,205 |
| TOTAL OVERLAPPING TAX AND ASSESMENT DEBT ¹ | | <u>\$16,324,127</u> | <u>\$15,520,991</u> | <u>\$803,136</u> |
| OVERLAPPING GENERAL FUND OBLIGATION DEBT: | | | | |
| Los Angeles County General Fund Obligations | 3.642 | \$1,466,730 | \$1,413,312 | \$53,418 |
| Los Angeles County Pension Obligations | 0.000 | - | - | - |
| Los Angeles County Superintendent of Schools Certificates of Participation | 3.642 | 11,270 | 10,860 | 410 |
| Compton Unified School District Certificates of Participation | 0.023 | 30,020 | 30,013 | 7 |
| Los Angeles Unified School District Certificates of Participation | 0.047 | 491,073 | 490,842 | 231 |
| Paramount Unified School District Certificates of Participation | 7.092 | 25,860 | 24,026 | 1,834 |
| County Sanitation District No. 1 Certificates of Participation | 0.906 | 20,975 | 20,785 | 190 |
| County Sanitation District No. 2 Certificates of Participation | 0.125 | 32,388 | 32,348 | 40 |
| County Sanitation District No. 3 Certificates of Participation | 84.283 | 16,226 | 2,550 | 13,676 |
| County Sanitation District No. 8 Certificates of Participation | 1.996 | 12,802 | 12,546 | 256 |
| County Sanitation District No. 19 Certificates of Participation | 38.084 | 5,834 | 3,612 | 2,222 |
| TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT | | <u>\$2,113,178</u> | <u>\$2,040,864</u> | <u>\$72,284</u> |
| TOTAL GROSS OVERLAPPING COMBINED DEBT | | <u>\$18,437,305</u> | <u>\$17,561,885</u> | <u>\$875,420</u> |
| Less: Los Angeles County General Fund Obligations supported by landfill revenues | | 29,910 | 29,262 | 648 |
| Los Angeles Unified School District (Qualified Zone Academic Bonds supported by period payments to investment accounts) | | <u>32,953</u> | <u>32,938</u> | <u>15</u> |
| TOTAL NET OVERLAPPING COMBINED DEBT | | <u>\$18,374,442</u> | <u>\$17,499,685</u> | <u>\$874,757</u> |
| TOTAL NET DIRECT AND OVERLAPPING COMBINED DEBT ^{2,3} | | <u>\$18,645,322</u> | <u>\$17,572,935</u> | <u>\$1,072,387</u> |

¹ Supported Southeast Resource Recovery Facility issues.

² Excludes 1915 Act and Mello-Roos Act Bonds.

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

⁴ Principal payments made by the City on September 30, 2011, are not reflected on the schedule above. These payments were posted, by the trustee, on October 1, 2011.

Source: California Municipal Statistics, Inc.

Assessed Valuation

The City uses the facilities of the County for tax assessment and collection. City taxes are assessed and collected at the same times and on the same tax rolls as County, school and special district taxes.

Under California law, two additional types of exemptions were authorized beginning in the tax year 1969-70. The first of these exempts 50% of the assessed valuation of business inventories from taxation. The second provides an exemption of \$7,000 of the assessed valuation of an owner-occupied dwelling from which application has been made to the County Assessor. Under a recently enacted constitutional amendment, the California Legislature can raise this exemption. Revenue estimated to be lost to local taxing agencies due to such exemption is reimbursed from State sources. The reimbursement is based upon total taxes due upon these exempt values and therefore is not reduced by any amounts for estimated delinquencies.

Summarized below is the assessed valuation and tax collection record of the City for the most recent five-year period. In addition to the information provided below, the County Assessor estimates an increase in assessed valuation of 6.9% for the City during the County's most recent Fiscal Year (July 1, 2011 through June 30, 2012).

TABLE XXIII
City of Long Beach
Assessed Valuations and Tax Collection Record
Fiscal Years 2007 through 2011
(in Thousands)

| <u>Fiscal Year</u> [*] | <u>Estimated Full Market Valuation</u> | <u>Valuation For Revenue Purposes</u> | <u>Total City Tax Levy</u> | <u>Total Current Tax Levy Collections</u> | <u>Percent of Levy Collected</u> |
|---------------------------------|--|---------------------------------------|----------------------------|---|----------------------------------|
| 2007 | \$ 38,915,969 | \$ 38,915,969 | \$ 155,850 | \$ 145,113 | 93.1% |
| 2008 | 42,272,615 | 42,272,615 | 174,002 | 157,865 | 90.7 |
| 2009 | 45,573,824 | 45,573,824 | 191,251 | 179,716 | 94.0 |
| 2010 | 44,227,262 | 44,227,262 | 180,159 | 161,354 | 89.6 |
| 2011 | 42,995,965 | 42,995,965 | 174,025 | 165,851 | 95.3 |

¹ Based on the County's Fiscal Year ending June 30.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Tax Rates

Historically, properties in the County have been subject to taxation at varying rates by 80 municipalities, including the City and numerous special purpose districts. Each entity would set its budget expenses and then determine, subject to certain legal limitations, the property tax rate to be levied in order to raise sufficient funds. In 1979, the Constitution of the State of California was amended by Article XIII A ("Proposition 13") which provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the real property as shown on the 1975-76 tax bill or the appraisal value of real property when purchased or newly constructed after the 1975 assessment. The "full cash value" may also be annually adjusted to reflect inflation at a rate not to exceed 2% per year, a reduction in the consumer price index or comparable local data, or decreases in property value caused by damage, destruction or other factors. Proposition 13 prohibits the levying of any other ad valorem

property taxes except for property taxes required to pay debt service for voter-approved general obligation bonds.

Prior to the adoption of Proposition 13, real property was assessed at 25% of market value, and the tax rate was \$4 per \$100 of assessed value. Beginning in 1982, assessed valuation is calculated at 100% of market value, which reduces the tax rate to \$1 per \$100 of assessed value.

On November 7, 2000, the voters of the City approved Measure J, which provided for a reduction in the tax rate imposed upon users of electricity, gas, telephone and water services within the City. Measure J requires the utility users tax on changes made for such services to be reduced by 50% (10% each year for five years, commencing October 1, 2000). Proceeds from the utility users tax are considered a general fund revenue and are used to provide basic City services, such as police, fire and paramedic. No assurance can be given that the voters of the City will not, in the future, approve additional initiatives which reduce or repeal local taxes, assessments, fees or changes that currently are deposited in the City's General Fund.

The following chart summarizes all property tax rates for all overlapping governments per \$100 of assessed real property value within the City for the last five fiscal years.

TABLE XXIV
City of Long Beach
Property Tax Rates Per \$100 of Assessed Value
Fiscal Years 2006 through 2010

| <u>Fiscal Year</u> * | <u>City Direct Rate</u> | <u>Los Angeles County</u> | <u>Unified Schools</u> | <u>Community Colleges</u> | <u>Special Districts</u> | <u>Total</u> |
|----------------------|-------------------------|---------------------------|------------------------|---------------------------|--------------------------|--------------|
| 2007 | \$1.000000 | \$0.000663 | \$0.106814 | \$0.021462 | \$0.004752 | \$1.133691 |
| 2008 | 1.000000 | 0.000000 | 0.123342 | 0.008794 | 0.004500 | 1.136636 |
| 2009 | 1.000000 | 0.000000 | 0.124782 | 0.022115 | 0.004300 | 1.151197 |
| 2010 | 1.000000 | 0.000000 | 0.151809 | 0.023112 | 0.004300 | 1.179221 |
| 2011 | 1.000000 | 0.000000 | 0.186954 | 0.040310 | 0.003700 | 1.230964 |

* Based on Los Angeles County's Fiscal Year Ending June 30.
Source: City of Long Beach

Beginning in Fiscal Year 1975, redevelopment tax increments were allocated to the City of Long Beach Redevelopment Agency. These redevelopment tax increments are computed on the basis of the redevelopment property increment values multiplied by the total tax rate for the fiscal year. Redevelopment property increment values represent the difference between the base value of properties designated for redevelopment and their market value.

Tax Receipts

Taxes received by the City include Property Taxes, Utility Users Taxes, Sales and Use Taxes, Transient Occupancy Taxes, Business License Taxes, and an Oil Production Tax. Of such taxes, Property Taxes, Utility Users Taxes and Sales and Use Taxes constitute the major sources of tax revenues. None of the general taxes currently imposed by the City are affected by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS— Proposition 218."

The following table sets forth tax revenues received by the City, by source.

TABLE XXV
City of Long Beach
Tax Revenues by Source
Fiscal Years 2007 through 2011
(in Thousands)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---------------------------------|---------------------|------------------|------------------|------------------|------------------|
| Property Tax ¹ | \$162,449 | \$172,741 | \$195,128 | \$170,896 | \$218,593 |
| Utility Users Tax ² | 41,694 | 41,028 | 39,901 | 39,148 | 38,739 |
| Sales & Use Tax | 55,848 ³ | 55,261 | 51,585 | 51,862 | 60,159 |
| Transient Occupancy Tax | 18,309 | 18,324 | 14,635 | 15,461 | 17,603 |
| Business License Tax | 10,909 | 11,681 | 11,647 | 11,686 | 11,956 |
| Franchise Tax | 22,340 | 27,147 | 23,774 | 21,488 | 24,184 |
| Oil Production Tax ⁴ | 3,123 | 5,767 | 5,557 | 5,517 | 5,331 |
| Other Tax ⁵ | <u>10,524</u> | <u>10,796</u> | <u>8,137</u> | <u>9,801</u> | <u>8,364</u> |
| Total ⁶ | <u>\$325,196</u> | <u>\$342,745</u> | <u>\$351,364</u> | <u>\$325,859</u> | <u>\$384,929</u> |

¹ Includes delinquent tax collections and supplemental or redemption revenue.

² Utility Users Tax Revenue decrease is due to Measure J. Measure J is a voter initiative that lowered the Utility Users Tax 1% a year starting from Fiscal Year 2001 until Fiscal Year 2005 (from 10% to 5%). The Fiscal Year 2007 and 2008 figures re net of refunds and adjustments.

³ Includes property tax in lieu of sales and use tax as provided in Proposition 57.

⁴ In May 2007, the City's voters approved an increase in the oil production tax (OPT) per barrel of crude petroleum taken from the City. The OPT was increased from .15 a barrel to .40 with the .25 increase going to public safety budgets.

⁵ Includes real property transfer, special parking, miscellaneous taxes and transfers in lieu of taxes.

⁶ Tax revenues by source include all governmental fund types (general, special revenue, and capital projects funds), including property tax and transient occupancy tax, also referred to as hotel tax, for the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenue in Fiscal Year 2007.

Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2011

Investment of City Funds

The City maintains an Investment Policy, which, pursuant to the provisions of Section 53646 of the California Government Code, is annually submitted to and reviewed by the Investment Committee of the City and approved by the City Council. Quarterly reports, which summarize the investment activity and portfolio balances, are also provided to the City Manager, the City Auditor and the City Council. In addition, the Investment Committee, comprised of the City Manager, the City Auditor, the City Attorney, the Director of Financial Management, the City Treasurer, the City Controller, the Budget Manager and the Chief Financial Officers of the Harbor and Water Departments, meets quarterly, or as needed, to review investment policies and strategies and to make recommendations consistent with approved investment policies.

The goal of the Investment Policy is to invest public funds in a prudent manner, maintaining maximum security, meeting the daily cash flow demand of the City and conforming to all State and local statutes governing the investment of public funds. The objectives of the Investment Policy are, in the following order of priority:

FIRST, *Safety of Principal*, through management of both credit risk and market risk as well as the application of the "Prudent Investor Rule." Credit risk is to be mitigated through prudent investment choices and portfolio diversification. Market risk is to be mitigated by limiting the weighted average maturity of the City's portfolio to a maximum of three years.

SECOND, *Return on Investment*, to attain market average rates of return through economic cycles. The investment strategy is to seek above market average rates of return consistent with the risk limitations and prudent investment principles of the City's Investment Policy. The City has established two benchmark measures for the pool funds portfolio: the 91-day U.S. Treasury Bill rate for the short-term portfolio and the Merrill Lynch one-to three-year Government/Corporate Index for the long-term portfolio.

The City's investment alternatives are specified in California Government Code Sections 53600 et seq. Within this framework, the Investment Policy specifies authorized investments, subject to certain limitations.

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

According to the City Treasurer's Monthly Report for the quarter ending March 31, 2012, the City's invested funds and cash totaled approximately \$1.81 billion. The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. On March 31, 2012, 85.6% of the total City Portfolio was invested in U.S. Treasury and Agency Notes, 14.32% in money market funds, and 0.11% in other types of income securities.

A summary of the City Treasurer's Monthly Report for the quarter ending March 31, 2012, is set forth below:

| | |
|--|-----------------|
| Invested Market Balance | \$1,550,531,108 |
| Portfolio Market Yield | 0.33% |
| Short-term Weighted Average Maturity in Years | 0.6 years |
| Intermediate-term Weighted Average Maturity in Years | 0.8 years |
| Long-term Weighted Average Maturity in Years | 1.8 years |

Source: City of Long Beach

As of March 31, 2012, Standard & Poor's Ratings Services ("S&P") reaffirmed the City's rating on the City's investment portfolio of "AAAF" and a volatility rating of "S1." Any explanation of the significance of such a rating may be obtained from S&P.

[On September 3, 2008, the City invested \$19,963,250 of City funds in 27-day commercial paper notes (the "Commercial Paper") issued by Lehman Brothers Holdings Inc. ("Lehman"), which came due for payment on September 30, 2009. Lehman failed to pay the City on September 30, 2009. Lehman filed for Chapter 11 bankruptcy protection on September 15, 2008. The General Fund's estimated portion of the potential loss related to this Commercial Paper investment is approximately \$350,000, which assumes no recovery from the bankruptcy estate. The City has filed a claim in the U.S. Bankruptcy Court for the Southern District of New York (Manhattan) against Lehman (the "Lehman Bankruptcy Action"), as well as a separate action for fraud against the Lehman directors, officers and other related parties in the Superior Court of the State of California in and for the County of Los Angeles (the "Lehman Fraud Action") relating to Lehman's failure to pay the City and related matters. There is no assurance that the City will prevail in either the Lehman Bankruptcy Action or the Lehman Fraud Action.]

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property values included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The City is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is Fiscal Year 1979. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified out lay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (b) the investment of tax revenues; and (c) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (a) the percentage change in California per capita personal income, or (b) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges. The City is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the City's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. However, the City does not presently believe that the potential impact on the financial condition of the City as a result of the provisions of Proposition 218 will adversely affect the City's ability to make principal and premium, if any, and interest payments on the Notes and perform its other obligations payable from the General Fund as and when due.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax that the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held within two years of November 5, 1996. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through General Fund taxes, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The initiative powers extended to voters under Article XIII C likely excludes actions construed as impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges. The City is unable to predict whether the courts will ultimately interpret the initiative provision to be limited to property related local taxes, assessments, fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the City's General Fund. The City believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the City, including its General Fund, would be materially adversely affected.

Article XIII D of Proposition 218 adds several new requirements to make it more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 as any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in City service areas and in special districts.

Article XIII D also adds several provisions, including notice requirements and restrictions on use, affecting "fees" and "charges" which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." The annual amount of revenues that are received by the City and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly,

presently the City does not anticipate that any impact Proposition 218 may have on future fees and charges will not adversely affect the ability of the City to pay the principal and premium, if any, of and interest on the Notes as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the California Legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the City.

Proposition 26

On November 30, 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act." Proposition 26, among other things, amended Article XIII C to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIII C imposes limitations on local governments like the City when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIII C did not define the term "tax" and the purpose of Proposition 26 is to broadly define what constitutes a tax under Article XIII C to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law, (f) a charge imposed as a condition of property development, and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

It appears that Proposition 26 does not apply retroactively to local government. Even if a fee enacted by the City prior to November 3, 2010 does not fit within any of Proposition 26's exceptions, it will nonetheless remain valid provided that the legislation authorizing it is not amended so as to extend or increase the fee. The City does not believe that it has enacted, extended or increased any fees since passage of Proposition 26 that would not be exempt from Proposition 26 or that would require voter approval pursuant to Proposition 26. Courts have yet to interpret the provisions of Proposition 26 and in particular whether it applies to any of the fees and charges of the types imposed by the City. In addition, the application of Proposition 26 to future transfers from the Gas Utility Fund to the General Fund has not been determined, and there have been no judicial determinations as to its application. The City cannot provide assurance that Proposition 26 will not materially and adversely impact the City's ability to transfer surplus revenues from the Gas Utility Fund to the General Fund.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986 general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to

the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of 1% was a special tax that, under Section 53722 of the California Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, the special tax was found to be invalid.

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

The City does not currently have any taxes which are subject to Proposition 62.

Proposition 1A

Proposition 1A, proposed by the California Legislature in connection with the 2004-2005 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the California Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2009, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable City revenues depending on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions

could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City. The right of the State to redirect local revenues under Proposition 1A was exercised in the State's 2009-10 fiscal year.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 26, 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. The limitations imposed upon the City by these provisions hinder the City's ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. From time to time, other initiative measures could be adopted, some of which may place further limitations on the ability of the State, the City or local districts to increase revenues or to spend money or which could have other financially adverse effects such as requiring the City to undertake new responsibilities. Such other initiatives could have a material adverse effect on the City's financial condition.

STATE OF CALIFORNIA BUDGET

The City receives approximately 45% of its general fund revenues from the State, including funds provided by the State for specific State and federal programs, sales tax and motor vehicle license fees, and property taxes. The financial condition of the State has an impact on the level of these revenues. Ongoing weak economic conditions have resulted in significant revenue shortfalls to the State. During prior State fiscal crises, the State has often chosen to reallocate a portion of such revenues to assist in its own budget balancing.

The State's fiscal year begins on July 1 and ends on June 30. The State Constitution requires the Governor to submit a budget for each fiscal year to the Legislature by the preceding January 10 (the "Governor's Budget"). The Constitution requires the Legislature to pass a budget bill by June 15, although the Legislature has frequently failed to meet this deadline. Because more than half of the State's general fund income is derived generally from the April 15 personal income tax, the Governor submits a "May Revision" to his proposed budget by May 14. The Legislature typically waits for the May Revision before making final budget decisions. Once the budget bill has been approved by a majority vote of each house of the Legislature, it is sent to the Governor for signature. However, increases in taxes require approval of a two-thirds majority of each house.

On June 15, 2012, the State Legislature adopted a revised State Budget Act for Fiscal Year 2012-2013 (the "2012-2013 State Budget"), which the Governor signed on June 28, 2012. The 2012-2013 State Budget closes a \$15.7 billion budget gap with \$16.6 billion in solutions and changes, leaving the State with a reserve of nearly \$1 billion. The \$16.6 billion is comprised of \$8.1 billion in expenditure reductions, an increase in revenues of \$6 billion (which assumes temporary taxes (as a result of the passage The Schools and Local Public Safety Protection Act) will be approved by the voters at the November election and other targeted revenue increases) and additional solutions of \$2.5 billion. General Fund spending totals \$91.3 billion, a 4.95% increase over 2011-2012 levels.

The 2012-2013 State Budget builds upon the major realignment of public safety programs from the State to local governments and the eliminations of redevelopment agencies. Other realigned programs include local public safety programs, mental health, substance abuse, foster care, child welfare services and adult protective services. The 2012-2013 State Budget also relies on a substantial reduction in State programs, some of which include various health and human services programs. The 2012-2013 State Budget reinvests in K-12 education and higher education.

The 2012-2013 State Budget includes certain reductions that would be triggered in the event The Schools and Local Public Safety Protection Act is not approved by the voters in November. In the event The Schools and Local Public Safety Protection Act is not approved, the 2012-2013 State Budget proposes \$6 billion in trigger reductions to schools and community colleges, higher education, health and human services, and public safety beginning in January 2013. Funding for schools and community colleges would be reduced by \$5.4 billion. The University of California and California State University system would each be reduced by \$250 million.

While the City does not anticipate significant impact from the State's Budget challenges, the City cannot anticipate the final resolution of the State's budget challenges and its impact on the revenues or expenditures of the City. Additional information concerning the State's budget and financial condition may be found on the website of the State of California Department of Finance at <http://www.dof.ca.gov>, and of the State's Legislative Analyst's Office at <http://www.lao.ca.gov>; information on these websites is not incorporated as part of this Official Statement.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Note Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Notes is excludable from gross income for federal income tax purposes and is not a specific preference for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and continuing compliance by the City with certain covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Notes. Failure to comply with such requirements could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The City has covenanted to comply with such requirements. Note Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Notes. Note Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Notes is exempt from personal income tax imposed by the State of California.

Notwithstanding Note Counsel's opinion that interest on the Notes 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). Copies of the proposed form of opinion of Note Counsel is included in Appendix B hereto.

The amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Service (the "Service") Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the Service is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Service provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity

on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the taxpayer elects original issue discount treatment.

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

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Notes 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 Premium

The following disclosure relates to the purchasers of the Notes, who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Notes as the amount excluded from gross income for federal income tax purposes. An amount equal to the excess of the issue price of a Note over its stated redemption price at maturity constitutes original issue premium on such Note. An initial purchaser of a Note must amortize any original issue premium in accordance with the provisions of Section 171 of the Internal Revenue Code of 1986, as amended. Such purchasers should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to state and local tax consequences of owning Notes with original issue premium.

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 Notes. An example is the American Jobs Act of 2011, proposed by President Obama on September 12, 2011 and introduced in the United States Senate on September 13, 2011. If enacted as introduced, a provision of the American Jobs Act of 2011 would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012, and as a result could affect the market price or marketability of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Notes. It cannot be predicted whether

any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Notes or the market value thereof would be impacted thereby. Purchasers of the Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes and Note Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LITIGATION

No litigation is pending or, to the best of the knowledge of the City, threatened, concerning the validity of the Notes, and a Certificate of the City Attorney to that effect will be furnished to the initial purchasers at the time of the original delivery to the Notes. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to levy and collect ad valorem taxes or to collect or receive revenues sufficient to timely pay pledged revenues as required by the terms of the Notes or contesting the City's ability to issue and retire the Notes.

There are a number of lawsuits and claims pending against the City, but should any suit against the City result in a judgment adverse to the City during Fiscal Year 2013, the City would pay such claim or judgment from funds that have been appropriated for that purpose. The aggregate amount of the uninsured liabilities of the City which may result from such suits and claims will not, in the opinion of the City Attorney, materially affect the City's finances so as to impair its ability to repay the Notes.

Legality for Investment

Under provisions of the California Financial Code, the Notes are legal investments for commercial banks in California to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment of funds of its depositors, and are eligible to secure deposits of public moneys in California under provisions of the California Government Code.

SALE OF NOTES

The Notes were sold at competitive sale on September [13], 2012 and awarded to _____ (the "Purchaser") at a purchase price of \$ _____ (consisting of the par amount of the Notes, plus an original issue premium of \$ _____, and less the Purchaser's compensation of \$ _____). The Purchaser will purchase all of the Notes, subject to certain terms and conditions set forth in the Notice Inviting Bids, dated September [], 2012, the approval of certain legal matters by counsel, and certain other conditions.

CONTINUING DISCLOSURE

The City will undertake responsibility for any continuing disclosure to owners of the Notes as described below.

The City will execute a Continuing Disclosure Certificate, to be dated the date of delivery of the Notes (the "Continuing Disclosure Certificate"), which provides for, certain disclosure obligations as part of the City. Under the Continuing Disclosure Certificate, the City will covenant for the benefit of Owners and Beneficial Owners of the Notes to provide notices of the occurrence of certain enumerated events (the "Listed Events"), if material. The notices of material events will be filed with the EMMA system. Currently, there is no State Repository for the State of California. This covenant will be made in order to

assist the Underwriter of the Notes in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The City has not failed to comply with any prior such undertaking under the Rule. See "APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE."

RATING

Moody's Investors Service Inc. is expected to assign ratings of "[]" to the Notes. Such rating reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from that rating agency. Further, there is no assurance that the rating will be retained for any given period of time or that the rating will not be revised or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the trading value and the market price of the Notes.

CERTAIN LEGAL MATTERS

At the time of the delivery of the Notes, Kutak Rock LLP, Note Counsel, will deliver its final approving opinion. A proposed form of such approving opinion is contained in Appendix B hereto and will be delivered to DTC with the Notes. Note Counsel has undertaken no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the City by the City Attorney and Kutak Rock LLP, as Disclosure Counsel. Payment of the fees of Kutak Rock LLP, Note Counsel and Disclosure Counsel, is contingent upon the issuance of the Notes.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., Los Angeles, California, as Financial Advisor in connection with the authorization and delivery of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale, issuance and delivery of the Notes.

Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

FINANCIAL STATEMENTS

The financial statements of the City for the Fiscal Year ended September 30, 2011 and the accompanying Notes to the Financial Statements, the Management's Discussion and Analysis and certain supplementary information, and the Report of KPMG LLP, independent accountant, dated May 17, 2012 (collectively, the "2011 Financial Statements") are included as Appendix A to this Official Statement. The 2011 Financial Statements have been audited by KPMG LLP, as stated in their report dated May 17, 2012.

The 2011 Financial Statements have been extracted from the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2010 (the "2011 CAFR"). The complete 2011 CAFR has not been included in this Official Statement. Certain page references contained in the 2011 Financial Statements, included in Appendix A, are references to pages as they appear in the complete version of the 2011 CAFR. Potential investors should not rely upon such page references. Potential investors may request a complete copy of the 2011 CAFR from the City at the office of the City

Treasurer, City of Long Beach, 6th Floor, City Hall, 333 West Ocean Boulevard, Long Beach, California 90802.

MISCELLANEOUS

The execution of this Official Statement has been authorized by the City.

At the time of delivery and payment for the Notes, the City Manager or his designee, will deliver a certificate that, to the best of his knowledge, this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they have been made, not misleading. Such certificate will also certify that, to the best of his knowledge, from the date of this Official Statement to the date of such delivery and payment, there was no material adverse change in the information set forth herein.

Additional information may be obtained from the City by contacting the City Treasurer, City of Long Beach, 6th Floor, City Hall, 333 West Ocean Boulevard, Long Beach, California 90802. The City maintains a website at www.longbeach.gov. Information on such website is not part of this Official Statement nor has such information been incorporated by reference herein and should not be relied upon in deciding whether to invest in the Notes.

CITY OF LONG BEACH

By: _____
Patrick H. West, City Manager

APPENDIX A

**CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2011**

APPENDIX B

PROPOSED FORM OF OPINION OF NOTE COUNSEL

_____, 2012

City of Long Beach
Long Beach, California

\$ _____
CITY OF LONG BEACH, CALIFORNIA
2012-2013 TAX AND REVENUE ANTICIPATION NOTES

Ladies and Gentlemen:

We have acted as Note Counsel in connection with the authorization and issuance by the City of Long Beach, California (the "Issuer") of its aggregate principal amount of \$ _____ City of Long Beach, California 2012-2013 Tax and Revenue Anticipation Notes, dated _____, 2012 (the "Notes"), pursuant to the resolution of the Issuer adopted _____, 2012 (the "Resolution"), and the constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Government Code"). We have examined the constitution and the laws of the State, including the Government Code, and such certified proceedings and other papers as we deemed necessary to render this opinion.

The Notes bear interest at a rate of ___% per annum and are issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof and are numbered from R-1 consecutively upward in the order of their issuance, 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").

The Notes are dated the date of their delivery and will mature, without option of prior redemption, on [_____, 2012]. Interest and principal on the Notes are payable at the maturity of the Notes in lawful moneys of the United States of America upon presentation and surrender at the office of [The Bank of New York Mellon Trust Company, N.A.], as paying agent.

We have reviewed the record of proceedings submitted to us relative to the Notes including the Resolution, certifications and opinions of counsel to the Issuer and others, and such other records, documents and matters as we deemed necessary to render the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us, including the Issuer's Tax Compliance Certificate, without undertaking to verify the same by independent investigation.

Based on our examination as set forth above, it is our opinion that:

1. The Notes have been duly authorized, executed and delivered by the Issuer and constitute valid and legally binding special obligations of the Issuer, payable from and secured by a pledge of the taxes, income, revenue, cash receipts and other moneys which are received

by the Issuer during the 2012-2013 Fiscal Year and which are available therefor. Pursuant to Section 53857 of the California Government Code, the Notes are general obligations of the Issuer and, to the extent the Notes are not paid from the Pledged Revenues (as that term is defined in the Resolution), the Notes are payable from any other moneys of the Issuer lawfully available therefore, as provided in the Resolution and otherwise by law. The Notes do not constitute a debt, liability or general obligation of the State or any political subdivision of the State other than the Issuer.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. Under existing laws, regulations, rulings and judicial decisions, interest on the Notes 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. We note, however, such interest is taken into account in determining adjusted current earnings for the purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinion set forth in the first sentence of this numbered paragraph 3 assumes the accuracy of certain representations and continuing compliance by the Issuer with certain covenants designed to satisfy requirements of the Code that must be met subsequent to the issuance of the Notes. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes, or could otherwise adversely affect such opinion, retroactive to the date of issuance of the Notes. The Issuer has covenanted in its Resolution and in its Tax Compliance Certificate executed and delivered in connection with the issuance of the Notes, to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.
4. Under existing laws, regulations, rulings and judicial decisions, interest on the Notes is exempt from all present State of California personal income taxes.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or events occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and we have assumed the accuracy of the factual matters represented, warranted or certified in the documents, records and certifications examined by us relating to the Notes. In addition, we call your attention to the fact that the obligations of the Issuer under the Notes and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting creditors' rights generally. In addition, the enforceability of the Notes and the Resolution is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific enforcement or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion regarding the availability of equitable remedies.

This opinion letter is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No persons other than the above addressee may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent except that a copy of this opinion may be attached to the Official Statement for the Notes and included in the transcript of proceedings for the Notes. We assume no obligation to review or supplement this letter

subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the City of Long Beach, California (the "City") in connection with the issuance by the City of Long Beach of its \$_____ aggregate principal amount of City of Long Beach, California, 2012-2013 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a Resolution adopted by the City Council of the City on _____, 2012 (the "Resolution"). The City covenants and agrees as follows:

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

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

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

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City.

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

"Holder" shall mean either the registered owner of any Notes, or if the Notes are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor thereto.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with the offering of the Notes.

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

Section 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes not later than ten business days after the occurrence of an event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person;

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

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material, not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph 3(a)(v), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;
- (ii) Modifications to rights of the Holders of the Notes;
- (iii) Optional, unscheduled or contingent Note calls;
- (iv) Release, substitution or sale of property securing repayment of the Notes;
- (v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional trustee or the change of name of a trustee;

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the City shall determine if such event would be material under applicable federal securities law. The Dissemination Agent (if other than the State Treasurer) shall have no responsibility for such determination and shall be entitled to conclusively rely upon the City's determination.

(d) If the City learns of an occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Resolution.

Section 4. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, if applicable, or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure 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 not be responsible in any manner for the content of any notice prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the City.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by Holders of the Notes; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in the County of Los Angeles or in a U.S. District Court in or nearest to the City of Long Beach. A default under this Disclosure Certificate shall not be deemed a default under the Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses, including attorneys' fees, of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: _____, 2012.

CITY OF LONG BEACH, CALIFORNIA

By _____
Patrick H. West, City Manager

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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EXHIBIT E
[FORM OF PAYING AGENT/REGISTRAR AGREEMENT]

PAYING AGENT/REGISTRAR AGREEMENT

by and between

CITY OF LONG BEACH, CALIFORNIA,
as Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
Paying Agent and Registrar

Dated as of October 1, 2012

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PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT (this "Agreement"), is entered into as of October 1, 2012, by and between the **CITY OF LONG BEACH, CALIFORNIA** (the "Issuer"), and The Bank of New York Mellon Trust Company, N.A. ("Bank"), as paying agent and registrar.

WITNESSETH:

WHEREAS, the Issuer has duly authorized and provided for the issuance of its Notes, entitled the "City of Long Beach, California 2012-2013 Tax and Revenue Anticipation Notes" (the "Notes") in an aggregate principal amount of \$[] to be issued as fully registered Notes without coupons; and

WHEREAS, the Issuer will ensure all things necessary to make the Notes the valid obligations of the Issuer, in accordance with their terms, will be done upon the issuance and delivery thereof; and

WHEREAS, the Issuer and the Bank wish to provide the terms under which the Bank will act as paying agent to hold and pay the principal of and interest on the Notes, in accordance with the terms thereof, and under which the Bank will act as registrar for the Notes; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as paying agent and registrar for the Notes; and

WHEREAS, the Issuer has duly authorized the execution and delivery of this Agreement, and all things necessary to make this Agreement a valid agreement have been done;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I

DEFINITIONS

For all purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires:

"*Bank*" means The Bank of New York Mellon Trust Company, N.A., a national banking association, or any successor thereto, when it is performing the function of paying agent or registrar for the Notes.

"*Fiscal Year*" means the fiscal year of the Issuer ending on September 30 of each year.

"*Issuer*" means the City of Long Beach, California.

“*Issuer Request*” means a written request signed in the name of the Issuer and delivered to the Bank.

“*Note*” or “*Notes*” means any one or all of the \$[_____] in aggregate principal amount of Notes entitled “City of Long Beach, California 2012-2013 Tax and Revenue Anticipation Notes.”

“*Note Register*” means the book or books of registration kept by the Bank, as registrar, in which are maintained the names and addresses and principal amounts registered to each Registered Owner.

“*Note Resolution*” means the Resolution of the Issuer pursuant to which the Notes were issued.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

“*Registered Owner*” means a Person in whose name a Note is registered in the Note Register.

“*Stated Maturity Date*,” when used with respect to any Note, means October 1, 2013, as the date on which the principal of and accrued interest on such Note is due and payable.

ARTICLE II

APPOINTMENT OF PAYING AGENT AS PAYING AGENT AND REGISTRAR

Section 2.01. Appointment and Acceptance. The Issuer hereby appoints the Bank to act as paying agent with respect to the Notes, to pay the Registered Owners in accordance with the terms and provisions of this Agreement and the Note Resolution, the principal of and interest on all or any of the Notes.

The Issuer hereby appoints the Bank as registrar with respect to the Notes. As registrar, the Bank shall keep and maintain for and on behalf of the Issuer, books and records as to the ownership of the Notes and with respect to the transfer and exchange thereof as provided herein and in the Note Resolution.

The Bank hereby accepts its appointment, and agrees to act as paying agent and registrar.

Section 2.02. Compensation. As compensation for the Bank’s services as paying agent and registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in a separate agreement between the Issuer and the Bank.

In addition, the Issuer agrees to reimburse the Bank, upon its request, for all reasonable and necessary out-of-pocket expenses, disbursements and advances, including without limitation by the Bank in connection with entering into and performing under this Agreement and in

connection with investigating and defending itself against any claim or liability in connection with its performance hereunder.

ARTICLE III

PAYING AGENT

Section 3.01. Duties of Paying Agent. As paying agent, the Bank, to the extent sufficient collected funds have been provided to the Bank for the purposes described herein, by or on behalf of the Issuer, shall pay on behalf of the Issuer, the principal of and interest on each Note in accordance with the provisions of the Note Resolution. Any money deposited with or otherwise held by the Bank for the payment of the principal or interest on any Note, shall be held in trust for the Registered Owner. On or prior to the Stated Maturity Date, the Issuer shall deposit with the Bank sufficient funds to pay the principal and interest on each Note.

Section 3.02. Payment Dates. The Issuer hereby instructs the Bank to pay the principal of and interest on the Notes on the Stated Maturity Date.

ARTICLE IV

REGISTRAR

Section 4.01. Initial Delivery of Notes. The Notes will be initially registered and delivered to the purchaser designated by the Issuer as one Note. If such purchaser delivers a written request to the Bank not later than five business days prior to the date of initial delivery, the Bank will, on the date of initial delivery, deliver Notes of authorized denominations, registered in accordance with the instructions in such written request.

Section 4.02. Duties of Registrar. The Bank, as registrar, shall provide for the proper registration of transfer, exchange and replacement of the Notes.

Every Note surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an eligible guarantor institution, in form acceptable to the Bank, duly executed by the Registered Owner thereof or his attorney duly authorized in writing. The Registrar may request any supporting documentation it deems necessary or appropriate to effect a re-registration. The Bank may require repayment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

Section 4.03. Unauthenticated Notes. If the Notes are not registered with The Depository Trust Company as the Registered Owner thereof, the Issuer shall provide to the Bank on a continuing basis, an adequate inventory of unauthenticated Notes to facilitate transfers. The Bank agrees that it will maintain any such unauthenticated Notes in safekeeping.

Section 4.04. Form of Note Register. The Bank, as registrar, will maintain its records as Note Registrar in accordance with the Bank's general practices and procedures in effect from time to time.

Section 4.05. Reports. The Issuer may request the information in the Note Register at any time the Bank is customarily open for business; provided that reasonable time is allowed the Bank to provide an up-to-date listing and to convert the information into written form.

The Bank will not release or disclose the content of the Note Register to any person other than to the Issuer at its written request, except upon receipt of a subpoena or court order or as may otherwise be required by law, rule or regulation, as may be required by any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of the Bank's business or that of its affiliates, as may be required by any regulatory authority, arbitrator or arbitration to which the Bank or any affiliate or any officer, director, employer or shareholder thereof is a party, and such content may be disclosed to any affiliate, independent or internal auditor, agent, employee or attorney of the Bank having a need to know the same, provided that the Bank advises such recipient of the confidential nature of the information being disclosed. Upon receipt of a subpoena or court order the Bank will notify the Issuer, if permitted by law.

Section 4.06. Cancelled Notes. All Notes surrendered for payment, redemption, transfer, exchange or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the Issuer, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The Issuer may at any time deliver to the Bank for cancellation any Notes previously authenticated and delivered which the Issuer may be acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Bank. All cancelled Notes held by the Bank for its retention period then in effect and shall thereafter be destroyed in accordance with the Bank's standard procedures, and evidence of such destruction furnished to the Issuer upon its written request.

Section 4.07. General Obligation. The Bank and the Issuer hereby agree that notwithstanding that the Bank shall serve as the paying agent for the Notes, the Notes shall remain a general obligation of the Issuer payable from certain revenues attributable to the Issuer's 2012-2013 Fiscal Year as set forth in the Resolution. Although certain funds will be held by the Bank, as paying agent (but only to the extent described in Section 3.01 of this Agreement), investment losses while such funds are held by the Bank as paying agent shall be borne by the Issuer, so that the obligation to repay the Notes remains a general obligation of the Issuer until the Stated Maturity Date of the Notes, and the transfer of funds and/or securities to the Bank as paying agent does not extinguish the Issuer's obligation to repay the Notes. Any funds deposited with the Bank pursuant to Section 3.01 hereof shall be invested in accordance with the directions of the Treasurer of the Issuer.

Section 4.08. Mutilated, Destroyed, Lost and Stolen Notes. If any mutilated Note is surrendered to the Bank, or the Bank receives evidence to its satisfaction of the destruction, loss or theft of any Note, and there is delivered to the Issuer and the Bank such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Issuer or the Bank that any such destroyed, lost or stolen Note has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's written request, the Bank shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note (upon surrender of such Note), a new Note of the same maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Upon the issuance of any new Note under this Section, the Issuer or the Bank may require the payment of a sum sufficient to cover any tax or other governmental charge.

ARTICLE V

DUTIES AND RIGHTS OF PAYING AGENT

Section 5.01. Duties of Paying Agent. The Bank, as paying agent, undertakes to perform the duties set forth herein. No implied duties or obligations shall be read into this Agreement against the Bank. The Bank hereby agrees to use the funds deposited with it for payment of the principal of and interest on the Notes to pay the same as it shall become due and further agrees to establish and maintain such accounts and funds as may be required for the Bank to function as paying agent.

Section 5.02. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions expressed therein, on certificates or opinions furnished to the Bank by the Issuer.

(b) The Bank shall not be liable for any error of judgment made in good faith. The Bank shall not be liable for other than its gross negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the existence of any of its rights or powers.

(d) The Bank may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bank need not examine the ownership or any Note, but shall be protected in acting upon receipt of Notes contained an endorsement or instruction of transfer of power of transfer which appears on its face to be signed by the Registered Owner or agent of the Registered Owner.

(e) The Bank may consult with counsel, and the written advice or opinion of counsel shall be authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys and shall not be liable for the actions of such agent or attorney if appointed by it with reasonable care.

(g) The Bank shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control

of the Bank and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(h) The Bank agrees to accept and act upon instructions or directions pursuant to this agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, and the Issuer shall provide to the Bank an incumbency certificate listing an authorized representative of the Issuer, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Bank in its discretion elects to act upon such instructions, the Bank's understanding of such instructions shall be deemed controlling. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bank, including without limitation the risk of the Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(i) The Issuer acknowledges that regulations of the Comptroller of the Currency grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the Issuer specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Bank that no brokerage confirmations need to be sent relating to the security transactions as they occur. The Bank shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written direction from the Issuer. In no event shall the Bank be liable for the selection of investments or for investment losses incurred thereon. The Bank shall have no liability in respect of losses incurred as result of the liquidation of any investment prior to its stated maturity or the failure of the Issuer to provide timely written investment direction. The Bank may purchase or sell to itself or any affiliate, as principal or agent, investment authorized by this Agreement. The Bank may conclusively rely upon such written direction from the Issuer as to both the suitability and legality of the directed investments.

Section 5.03. Recitals of Issuer. The recitals contained in the Note Resolution and the Notes shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

Section 5.04. May Own Notes. The Bank, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the paying agent and registrar for the Notes.

Section 5.05. Money Held by Bank. Money held by the Bank, as paying agent, hereunder need not be segregated from other funds other than as set forth in Section 5.02 hereof, the Bank shall have no duties with respect to the investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

Any money deposited with or otherwise held by the Bank for the payment of the principal or interest on any Note and remaining unclaimed for two years after such deposit will be paid by the Bank to the Issuer, and the Issuer and the Bank agree that the Registered Owner of such Note shall thereafter look only to the Issuer for payment thereof, and that all liability of the Bank with respect to such moneys shall thereupon cease.

Section 5.06. Other Transactions. The Bank may engage in or be interested in any financial or other transaction with the Issuer.

Section 5.07. Interpleader. The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The Issuer and the Bank further agree that the Bank has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

Section 5.08. Indemnification. To the extent permitted by law, the Issuer shall indemnify the Bank, its officers, directors, employees and agents ("Indemnified Parties") for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Bank's acceptance or administration of the Bank's duties hereunder or under the Note Resolution (except any loss, liability or expense as may be adjudged by a court of competent jurisdiction to be attributable to the Bank's gross negligence or willful misconduct), including the cost and expense, including its counsel fees and expenses, of defending powers or duties under this Agreement. Such indemnity shall survive the termination or discharge of this Agreement or discharge of the Notes and the earlier removal or resignation of the Bank.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 6.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party, provided, however, that any entity into which the Bank may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Bank may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Bank hereunder without such prior written consent, and without the execution or filing of any paper or the performance of any further act.

Section 6.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the address shown herein, or such other address as may have been given by one party to the other by 15 days' written notice.

Section 6.04. Effect of Headings. The Article and Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns. All covenants and agreements herein by the Issuer and the Bank shall bind their successors and assigns, whether so expressed or not.

Section 6.06. Severability. If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

Section 6.07. Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 6.08. Entire Agreement. This Agreement and the Note Resolution (to the extent that its provisions are specifically referenced herein) constitute the entire agreement between the parties hereto relative to the Bank acting as paying agent and registrar.

Section 6.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Term and Termination. This Agreement shall be effective from and after its date and until the Bank resigns or is removed by the City; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Bank hereunder. The Bank may resign at any time by giving written notice thereof to the Issuer. The City may remove the Bank at any time by giving written notice thereof to the Bank. If the Bank shall resign, be removed or become incapable of acting, the Issuer shall promptly appoint a successor paying agent or registrar. If an instrument of acceptance by a successor paying agent and registrar shall not have been delivered to the Bank within 30 days after the Bank gives notice of resignation or its receipt of its notice of removal, the Bank may petition any court of competent jurisdiction at the expense of the Issuer for the appointment of a successor paying agent and registrar. In the event of resignation or removal of the Bank as paying agent and registrar, upon the written request of the Issuer and upon payment of all amounts owing the Bank hereunder the Bank shall deliver to the Issuer or its designee all funds and unauthenticated Notes, and a copy of the Note Register. The provisions of Sections 2.02 and 5.08 hereof shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of California.

Section 6.12. Documents To Be Filed With Bank. At the time of the Bank's appointment as paying agent and registrar, the Issuer shall file with the Bank the following documents: (a) a certified copy of the Note Resolution and a specimen Note; (b) a copy of the opinion of Note counsel provided to the Issuer in connection with the issuance of the Notes; and (c) an Issuer Request containing written instructions to the Bank with respect to the issuance and delivery of the Notes, including the name of the Registered Owners and the denominations of the Notes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF LONG BEACH

By _____
David S. Nakamoto, Treasurer

Address: City of Long Beach
City Hall
333 West Ocean Boulevard
Long Beach, CA 90802-4664

Approved as to Form:

By _____
Charles Parkin, Assistant City Attorney

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Paying Agent
and Registrar

By _____
Gregory Chenail, Vice President

Address: The Bank of New York Mellon Trust
Company, N.A.
700 South Flower Street
Suite 500
Los Angeles, California 90017

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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EXHIBIT F
[FORM OF CONTINUING DISCLOSURE CERTIFICATE]

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the City of Long Beach, California (the "City") in connection with the issuance by the City of Long Beach of its \$[] aggregate principal amount of City of Long Beach, California, 2012-2013 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a Resolution adopted by the City Council of the City on August 21, 2012 (the "Resolution"). The City covenants and agrees as follows:

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

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

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

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City.

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

"Holder" shall mean either the registered owner of any Notes, or if the Notes are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor thereto.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with the offering of the Notes.

"Resolution" means the Resolution of the City authorizing the issuance of the Notes.

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

Section 3. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes not later than ten business days after the occurrence of an event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person;

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

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material, not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph 3(a)(v), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with

respect to the tax status of the Notes or other material events affecting the tax status of the Notes;

- (ii) Modifications to rights of the Holders of the Notes;
- (iii) Optional, unscheduled or contingent Note calls;
- (iv) Release, substitution or sale of property securing repayment of the Notes;
- (v) Non-payment related defaults;
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
- (vii) Appointment of a successor or additional trustee or the change of name of a trustee;

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the City shall determine if such event would be material under applicable federal securities law. The Dissemination Agent (if other than the State Treasurer) shall have no responsibility for such determination and shall be entitled to conclusively rely upon the City's determination.

(d) If the City learns of an occurrence of a Listed Event described in Section 3(a), or determines that knowledge of a Listed Event described in Section 3(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Resolution.

Section 4. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, if applicable, or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure 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 not be responsible in any manner for the content of any notice prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the City.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by Holders of the Notes; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in the County of Los Angeles or in a U.S. District Court in or nearest to the City of Long Beach. A default under this Disclosure Certificate shall not be deemed a default under the Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses, including attorneys' fees, of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: [_____], 2012.

CITY OF LONG BEACH, CALIFORNIA

By _____
Patrick H. West, City Manager