





Date: February 17, 2012
To: Patrick H. West, City Manager 
From: John Gross, Director of Financial Management 
For: Mayor and Members of the City Council
Subject: Aquarium of the Pacific Bonds – Preliminary Official Statement (POS)

At the City Attorney's request, we have attached for your review the Preliminary Official Statement (POS) for the Aquarium of the Pacific Bonds, slated for the February 21, 2012, City Council Agenda. This POS has been developed with the assistance and guidance of the City Attorney's Office and the external Disclosure Counsel, Kutak Rock, LLP.

Should you have any questions, please contact David Nakamoto, City Treasurer, at extension 8.6845.

LAF:DN:mm
T:\Correspondences\TFF - Aquarium of the Pacific POS.doc

Attachment

cc: Suzanne Frick, Assistant City Manager
Reginald Harrison, Deputy City Manager
David Nakamoto, City Treasurer

PRELIMINARY OFFICIAL STATEMENT DATED [_____] , 2012

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Moody's: []
S&P: []

See "RATINGS" herein.

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject however, to certain qualifications described in this Official Statement, under existing law, interest on the Series 2012 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."

\$[_____] *

[City Logo]

**Long Beach Bond Finance Authority
2012 Refunding Revenue Bonds
(Aquarium of the Pacific Project)**

Dated: Date of Delivery

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

The Long Beach Bond Finance Authority 2012 Refunding Revenue Bonds (Aquarium of the Pacific Project) (the "Series 2012 Bonds") are being issued by the Long Beach Bond Finance Authority (the "Authority") to (a) refund all of the outstanding Long Beach Bond Finance Authority Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001, (b) fund a reserve fund for the Series 2012 Bonds, and (c) pay the costs of issuance of the Series 2012 Bonds. See "PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS."

The Series 2012 Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2012 Bonds may be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2012 Bonds. Interest on the Series 2012 Bonds will be payable on May 1 and November 1 of each year, commencing on [May/November] 1, 2012. So long as the Series 2012 Bonds are held by DTC, the principal of and interest on the Series 2012 Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2012 Bonds, as more fully described herein.

Maturity Schedule on Inside Front Cover

The Series 2012 Bonds are subject to optional, mandatory sinking account and extraordinary redemption as described herein. See "DESCRIPTION OF THE SERIES 2012 BONDS—Redemption Provisions."

The Series 2012 Bonds are secured by (a) Pledged Revenues, which include, among other things (i) City Payments payable under the City Pledge Agreement, pursuant to which the City has pledged to the Trustee, for the benefit of the owners of the Series 2012 Bonds, Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance, Available Tidelands Oil Revenue and all amounts on deposit in the City Aquarium Account; and (ii) Rental Payments, payable by the Aquarium of the Pacific, a California nonprofit public benefit corporation (the "Corporation") to the Authority pursuant to the Lease; and (b) certain other amounts held by the Trustee pursuant to the provisions of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS."

The Series 2012 Bonds are limited obligations of the Authority and are not a lien or charge upon the funds or property of the Authority, the City or the Corporation, except to the extent provided in the Indenture. The Series 2012 Bonds are not a debt of the City nor the State of California (the "State") nor any subdivision thereof, and neither the City (except to the extent set forth in the City Pledge Agreement with respect to Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance and Available Tidelands Oil Revenue and amounts deposited in the City Aquarium Account) nor the State or any of its political subdivisions is liable for the payment thereof. The City will not be required to advance any moneys derived from any source other than Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance and Available Tidelands Oil Revenue, and moneys deposited in the City Aquarium Account to pay the City Payments or otherwise with respect to the City Pledge Agreement. The Authority will not be required to advance any moneys derived from any source other than the Pledged Revenues and other funds pledged under the Indenture for the payment of the principal of and interest on the Series 2012 Bonds or for any other purpose of the Indenture. The Owners of the Series 2012 Bonds will never have the right to demand payment thereof out of funds raised or to be raised by taxation. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS."

The Series 2012 Bonds are not obligations of the Corporation. The Corporation is obligated under the Lease for the payment of Rental Payments to the Authority, which the Authority will apply towards the payment of a portion of the principal of and interest on the Series 2012 Bonds in accordance with the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Lease; Rental Payments" and "RISK FACTORS."

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2012 Bonds. Investors must to read this entire Official Statement, including any portion hereof included by reference, to obtain

* Preliminary, subject to change.

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

information essential to the making of an informed decision, giving particular attention to the matters discussed under "RISK FACTORS." Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Series 2012 Bonds will be offered when, as and if issued, and received by the Underwriters, subject to the approval as to their validity by Quint & Thimmig LLP, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Authority by Kutak Rock LLP, Disclosure Counsel to the Authority, for the Authority and the City by the City Attorney of the City of Long Beach, California, for the Underwriters by their counsel, Fulbright & Jaworski L.L.P., and for the Corporation by Stradling Yocca Carlson & Rauth, a Professional Corporation. It is anticipated that the Series 2012 Bonds will be available for delivery through the facilities of DTC on or about [____], 2012.

Loop Capital Markets
[other Underwriters to come]

Date of Official Statement:

MATURITY SCHEDULE

\$ [_____] *
Long Beach Bond Finance Authority
2012 Refunding Revenue Bonds
(Aquarium of the Pacific Project)

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP No. †
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\$ _____ % Term Bonds due November 1, 20__—Yield __% - CUSIP No. _____ †

* Preliminary; subject to change.

† Copyright 2012, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Series 2012 Bonds. None of the Authority, the Corporation, the City or the Underwriters take any responsibility for the accuracy of the CUSIP numbers.

LONG BEACH BOND FINANCE AUTHORITY

Board of Directors and Officers

Patrick H. West, *Chair*
John Gross, *Vice Chair and Executive Director*
David S. Nakamoto, *Treasurer and Controller*

CITY OF LONG BEACH, CALIFORNIA

City Council

Bob Foster
Mayor

Suja Lowenthal
Second District, Vice Mayor

Robert Garcia, <i>First District</i>	Dee Andrews, <i>Sixth District</i>
Gary DeLong, <i>Third District</i>	James Johnson, <i>Seventh District</i>
Patrick O'Donnell, <i>Fourth District</i>	Rae Gabelich, <i>Eighth District</i>
Gerrie Schipske, <i>Fifth District</i>	Steven Neal, <i>Ninth District</i>

City Officials and Staff

Patrick H. West <i>City Manager</i>	Suzanne M. Frick <i>Assistant City Manager</i>	John Gross <i>Director of Financial Management</i>
David S. Nakamoto <i>City Treasurer</i>	Robert E. Shannon <i>City Attorney</i>	Douglas P. Haubert <i>City Prosecutor</i>
Laura L. Doud <i>City Auditor</i>	Larry Herrera <i>City Clerk</i>	Charles Parkin <i>Assistant City Attorney</i>

PROFESSIONAL SERVICES

Bond Counsel
Quint & Thimmig LLP

Disclosure Counsel
Kutak Rock LLP

Financial Advisor
Public Financial Management, Inc.

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

No dealer, broker, salesperson, or other person has been authorized by the Authority, the Corporation or 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 Authority, the Corporation or 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 Series 2012 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2012 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See "INTRODUCTION—Forward-Looking Statements" herein.

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Corporation or the City since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2012 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SERIES 2012 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2012 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2012 BONDS TO CERTAIN DEALERS AND OTHERS AT YIELDS HIGHER OR PRICES LOWER THAN THE PUBLIC OFFERING YIELDS AND/OR PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING YIELDS AND/OR PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

\$[_____] *
LONG BEACH BOND FINANCE AUTHORITY
2012 Refunding Revenue Bonds
(Aquarium of the Pacific Project)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2012 Bonds being offered, and a brief description of this Official Statement. All statements contained in this introduction are qualified in their entirety by reference to this entire Official Statement. References to, and summaries of provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in Appendix E.

General

The purpose of this Official Statement, which includes the cover page, the inside cover page, the table of contents and the appendices (this "Official Statement") is to provide certain information with respect to the \$[_____] * Long Beach Bond Finance Authority 2012 Refunding Revenue Bonds (Aquarium of the Pacific Project) (the "Series 2012 Bonds").

Authority for Issuance

The Series 2012 Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, as amended (the "Refunding Law"), and the Indenture of Trust, to be dated as of March 1, 2012 (the "Indenture"), by and between the Long Beach Bond Finance Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Purpose of the Series 2012 Bonds

Proceeds from the sale of the Series 2012 Bond, along with certain other available moneys, will be used to (a) refund all the Long Beach Bond Finance Authority Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001, which are currently outstanding in the aggregate principal amount of \$111,175,000, (b) fund a reserve fund for the Series 2012 Bonds, (c) make a deposit to the City Aquarium Account (as defined herein); and (d) pay the costs of issuance of the Series 2012 Bonds. See "PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS" and "DESCRIPTION OF THE SERIES 2012 BONDS."

Security and Sources of Payment for the Series 2012 Bonds

The Series 2012 Bonds will be secured by a first lien on and pledge of (a) all of the "Pledged Revenues," which include: (i) the City Payments (as defined herein) payable by the City of Long Beach, California (the "City") under the City Pledge Agreement, to be dated as of March 1, 2012 (the "City Pledge Agreement"), by and between the City and the Authority, in favor of the Trustee, pursuant to which the City has pledged to the Trustee, for the benefit of the Owners of the Series 2012 Bonds to

* Preliminary, subject to change.

secure the payment of the City Payments, all Available Tidelands Operating Revenue (as defined herein), the Available Tidelands Operating Fund Balance (as defined herein), all Available Tidelands Oil Revenue (as defined herein) and all amounts on deposit in the City Aquarium Account; (ii) the Rental Payments (as defined herein) payable by the Aquarium of the Pacific, a California nonprofit public benefit corporation (the "Corporation") to the Authority pursuant to the Lease Agreement, dated as of April 1, 2001, as amended (the "Lease") by and between the Authority and the Corporation; and (iii) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture, other than the interest, profits and other income on amounts in the Operating and Maintenance Fund, the In Lieu Renewal Operating and Maintenance Expense Account and the Rebate Fund, and, with respect to interest, profits and other income on amounts in the Operating Reserve Fund and the Renewal and Replacement Fund, only to the limited extent that amounts in such funds are to be used to pay debt service on the Series 2012 Bonds pursuant to the Indenture; and (b) any other amounts held by the Trustee in any fund or account established pursuant to the Indenture (except the Operating and Maintenance Fund, the In Lieu Renewal Operating and Maintenance Expense Account, the Rebate Fund, and to the limited extent provided in the Indenture, the Operating Reserve Fund and the Renewal and Replacement Fund). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—City Pledge Agreement; City Payments" "—Lease; Rental Payments," and "APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—[Lease" and "—City Pledge Agreement.]"

The Series 2012 Bonds are limited obligations of the Authority and are not a lien or charge upon the funds or property of the Authority, the City or the Corporation, except to the extent provided in the Indenture. The Series 2012 Bonds are not a debt of the City nor the State of California (the "State") nor any subdivision thereof, and neither the City (except to the extent set forth in the City Pledge Agreement with respect to Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance and Available Tidelands Oil Revenue and amounts deposited in the City Aquarium Account) nor the State or any of its political subdivisions is liable for the payment thereof. The City will not be required to advance any moneys derived from any source other than Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance and Available Tidelands Oil Revenue, and moneys deposited in the City Aquarium Account to pay the City Payments or otherwise with respect to the City Pledge Agreement. The Authority will not be required to advance any moneys derived from any source other than the Pledged Revenues and other funds pledged under the Indenture for the payment of the principal of and interest on the Series 2012 Bonds or for any other purpose of the Indenture. The Owners of the Series 2012 Bonds will never have the right to demand payment thereof out of funds raised or to be raised by taxation. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS."

The Series 2012 Bonds are not obligations of the Corporation. The Corporation is obligated under the Lease for the payment of Rental Payments to the Authority, which the Authority will apply towards the payment of a portion of the principal of and interest on the Series 2012 Bonds in accordance with the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Lease; Rental Payments."

City Pledge Agreement; City Aquarium Account; City Payments

Pursuant to the City Pledge Agreement, at the time of delivery of the Series 2012 Bonds, the City will deposit into the City Aquarium Account (such account to be established in the Tideland Operating Fund and held by the City) an amount equal to the Maximum Annual Debt Service of the Series 2012

Bonds (\$[])*. If amounts on deposit in the Bond Fund are not sufficient to pay the principal of and/or interest on the Series 2012 Bonds on an Interest Payment Date, at the request of the Trustee, the City will transfer amounts on deposit in the City Aquarium Account to the Trustee for deposit to the Bond Fund (each such payment to the Trustee being a “City Payment”) and such deposit will be used, along with other amounts on deposit in the Bond Fund, to pay the principal of and/or interest on the Series 2012 Bonds on such Interest Payment Date.

At any time the City withdraws moneys from the City Aquarium Account to pay the principal of and/or interest on the Series 2012 Bonds or if at any time the amount in the City Aquarium Account otherwise becomes less than an amount equal to the then Maximum Annual Debt Service on the Series 2012 Bonds, the City will immediately cause to be deposited to the City Aquarium Account any Available Tidelands Operating Fund Balance, and if the Available Tidelands Operating Fund Balance is insufficient, the first Available Tidelands Operating Revenue or the first Available Tidelands Oil Revenue until the amount in the City Aquarium Account is equal to the then Maximum Annual Debt Service on the Series 2012 Bonds.

Available Tidelands Operating Revenue and the Available Tidelands Operating Fund Balance consist of, among other things, revenues derived from the operation of commercial activities in the Tidelands Area (as defined herein), including transfers from the Harbor Department of the City. Available Tidelands Operating Revenue and the Available Tidelands Operating Fund Balance also include Available Tidelands Oil Revenue transferred from the Tideland Oil Revenue Fund to the Tideland Operating Fund. See “THE CITY, THE TIDELANDS AREA AND THE TIDELAND OPERATING FUND.”

Rental Payments and the Aquarium

In addition to the City Payments, the Series 2012 Bonds are secured by Rental Payments, which consist of certain payments made by the Corporation to the Authority pursuant to the Lease that are derived from revenues collected from the operation of the Aquarium of the Pacific (the “Aquarium”). The Aquarium consists of a facility located on a five-acre site on Rainbow Harbor in the City containing exhibits with more than 11,000 ocean animals. In addition to exhibit space, the Aquarium contains a theater, an education center, an indoor/outdoor restaurant and a gift shop. Between the fiscal years ended September 30, 2007 and 2011, an average of approximately 1,468,400 people visited the Aquarium each fiscal year (approximately 1,447,000 visited in the fiscal year ended September 30, 2011). See “THE AQUARIUM” and “APPENDIX B—THE AQUARIUM OF THE PACIFIC.”

The Authority

The Authority is a joint exercise of powers entity formed by agreement between the City and the [Redevelopment Agency of the City of Long Beach (the “Agency”)], pursuant to Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. See “THE AUTHORITY.”

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2012 Bonds and the Authority will not provide any such information.

* Preliminary; subject to change.

The City

The City is a chartered city and municipal corporation organized and existing under its charter and the laws of the State. See “THE CITY, THE TIDELANDS AREA AND THE TIDELAND OPERATING FUND” and “APPENDIX D—ECONOMIC AND DEMOGRAPHIC DATA OF THE CITY OF LONG BEACH.”

The Corporation

The Corporation is a California nonprofit public benefit corporation, originally formed in October 1992 as the Genesis Long Beach Aquarium Corporation. Pursuant to its Articles of Incorporation, as amended, the Corporation is organized and operated exclusively for educational, scientific and charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and to assist the City in fulfilling its governmental purposes by acting as an instrumentality of the City within the meaning of Section 141 of the Code. The Corporation’s only activity is managing the Aquarium. See “THE AQUARIUM.”

Continuing Disclosure

In connection with the issuance of the Series 2012 Bonds, for purposes of Rule 15c2-12, as amended (the “Rule”) promulgated by the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended, the City and the Corporation will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “EMMA System”), certain annual financial information and operating data relating to the Tideland Operating Fund, Available Tidelands Revenue, the Port of Long Beach and the Aquarium, and notices of certain enumerated events. See “CONTINUING DISCLOSURE” and “APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The City and the Corporation have not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of certain enumerated or material events described in the Rule.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are forward-looking statements. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See “RISK FACTORS—Forward-Looking Statements.”

Additional Information

Brief descriptions of the Series 2012 Bonds, [the Indenture, the Lease, the Implementation Agreement, the City Pledge Agreement, the Site Lease, the Escrow Agreement, the Parking Agreement] and certain other documents are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. Copies of the [the Indenture, the Lease, the

Implementation Agreement, the City Pledge Agreement, the Site Lease, the Escrow Agreement, the Parking Agreement] are on file and available for inspection at the offices of the City Treasurer at City of Long Beach, 333 West Ocean Boulevard, 6th Floor, Long Beach, California 90802.

Information contained herein has been obtained from officers, employees and records of the City and the Corporation and from other sources believed to be reliable. The information herein is subject to change without notice, and the delivery of this Official Statement will under no circumstances, create any implication that there has been no change in the affairs of the City, the Corporation or the Aquarium since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority, the City, the Corporation or the Underwriters and the purchasers or Owners of any of the Series 2012 Bonds. The City and the Corporation and the Aquarium maintain various websites, the information on which is not part of this Official Statement, is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 2012 Bonds.

PLAN OF REFUNDING AND ESTIMATED SOURCES AND USES OF FUNDS

Plan of Refunding

A portion of the proceeds of the Series 2012 Bonds, [together with certain available moneys], will be used to refund and defease all of the outstanding Long Beach Bond Finance Authority Lease Revenue Refunding Bonds (Aquarium of the Pacific Project) Series 2001 (the "Prior Bonds"), which are currently outstanding in the aggregate principal amount of \$111,175,000 and are described in more detail in the following table.

Prior Bonds

<u>Maturity Date (November 1)</u>	<u>Principal Amount to be Redeemed</u>	<u>Redemption Date¹</u>	<u>CUSIP Number²</u>
2012	\$ 3,535,000	[], 2012	542402EJ7
2013	3,730,000	[], 2012	542402EK4
2014	3,935,000	[], 2012	542402EL2
2015	4,150,000	[], 2012	542402EM0
2016	4,380,000	[], 2012	542402EN8
2017	4,620,000	[], 2012	542402EP3
2018	4,875,000	[], 2012	542402EQ1
2019	5,140,000	[], 2012	542402ER9
2026	43,950,000	[], 2012	542402ES7
2030	<u>32,860,000</u>	[], 2012	542402ET5
Total	<u>\$111,175,000</u>		

¹ The Prior Bonds maturing on November 1, 2012 through and including November 1, 2019 will be redeemed on [], 2012 at a redemption price of 100% of the principal thereof. The Prior Bonds maturing on November 1, 2026 and November 1, 2030 will be redeemed on [], 2012 at a redemption price of 101% of the principal thereof.

² CUSIP numbers are provided only for the convenience of the reader. None of the Authority, the Corporation, the City or the Underwriters undertake any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in the list of CUSIP numbers.

A portion of the proceeds of the Series 2012 Bonds, [together with certain available moneys to be released from certain funds held under the Indenture,] dated as of April 1, 2001 (the "Prior Indenture"), by and between the Authority and the Trustee, pursuant to which the Prior Bonds were issued, will be

deposited in an escrow fund for the Prior Bonds (the "Escrow Fund") to be established under the terms of an Escrow Agreement, to be dated as of March 1, 2012 (the "Escrow Agreement"), by and between the Authority and US. Bank National Association, as escrow bank. [Certain amounts deposited into the Escrow Fund will be used to purchase investments in direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed (directly or indirectly) by the United States of America, as set forth in the Escrow Agreement (the "Defeasance Securities"), and the remaining amount will be held uninvested in cash.] Amounts on deposit in the Escrow Fund will be used on [_____], 2012 to (a) redeem the Prior Bonds maturing on November 1, 2012 through and including November 1, 2019 at a redemption price of 100% of the principal amount thereof, and (b) redeem the Prior Bonds maturing on November 1, 2026 and November 1, 2030 at a redemption price of 101% of the principal amount thereof.

The Prior Bonds were issued to, among other things, refund the Long Beach Aquarium of the Pacific Revenue Bonds (Aquarium of the Pacific Project) 1995 Series A and 1995 Series B, which were issued to, among other things, finance the construction and equipping of the Aquarium.

Sources and Uses of Funds

Proceeds from the sale of the Series 2012 Bonds, together with certain other available moneys, will be used to refund and defease the Prior Bonds, make a deposit to the Bond Reserve Fund, make a deposit to the City Aquarium Account and pay costs of issuance of the Series 2012 Bonds. The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2012 Bonds.

Sources:

Principal Amount of Series 2012 Bonds	\$
Original Issue Premium/(Discount)	
Transfer of Moneys from Prior Indenture	
Available Moneys of the City	_____
Total Sources	\$_____

Uses:

Deposit to Escrow Fund	\$
Deposit to Bond Reserve Fund	
Deposit to City Aquarium Account	
Costs of Issuance ¹	_____
Total Uses	\$_____

¹Costs of issuance include rating agency fees, legal and financial advisory fees, underwriters' discount and other miscellaneous expenses.

DESCRIPTION OF THE SERIES 2012 BONDS

General

The Series 2012 Bonds will bear interest at the rates and mature on the dates set forth on the inside front cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2012 Bonds will be dated their initial date of delivery, and will bear interest from that date payable semi-annually on May 1 and November 1 of each year, commencing [May/November] 1, 2012 (each an "Interest Payment Date"). Interest due and payable

on the Series 2012 Bonds on any Interest Payment Date will be paid to the person who is the registered owner as of the Record Date (DTC, so long as the book-entry system with DTC is in effect). Each Series 2012 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before [April/October] 15, 2012, in which event it will bear interest from the date of delivery of the Series 2012 Bonds; provided, however, that if, as of the date of authentication of any Series 2012 Bond, interest thereon is in default, such Series 2012 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Series 2012 Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Series 2012 Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2012 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2012 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2012 Bonds, references herein to the Owners or registered owners means Cede & Co. and does not mean the Beneficial Owners of the Series 2012 Bonds.

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, the principal of and interest on the Series 2012 Bonds will be payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC participants for subsequent disbursement to the Beneficial Owners. See “APPENDIX H—BOOK-ENTRY-ONLY SYSTEM.”

Redemption Provisions

Optional Redemption. The Series 2012 Bonds maturing on or before November 1, 20__, are not subject to optional redemption prior to their respective stated maturities. The Series 2012 Bonds maturing on or after November 1, 20__, will be subject to optional redemption as a whole or in part, on any date on or after November 1, 20__, from any available source of funds, at a redemption price equal to the principal amount of the Series 2012 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Extraordinary Redemption. The Series 2012 Bonds are subject to redemption prior to their respective stated maturities, at the option of the Authority, as a whole or in part, on any date from funds received by the Authority due to a casualty loss or condemnation of the Aquarium or portion thereof, if such amounts are not used to repair or replace the Aquarium, under the circumstances and upon the conditions prescribed in the Lease, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The Series 2012 Bonds maturing on November 1, 20__ (the “20__ Term Bonds”) will be subject to mandatory sinking account redemption in part by lot on November 1, 20__, and on November 1 in each year thereafter to and including November 1, 20__, from sinking account payments made by the Authority at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that if there has been an optional redemption of some but not all of the 20__ Term Bonds, the total amount of all future sinking account payments will be reduced by the aggregate principal amount of 20__ Term Bonds so redeemed, to be allocated among the sinking account payments as

determined by the Authority (notice of which determination will be given by the Authority to the Trustee).

**Sinking Account
Redemption Date
(November 1)**

**Principal Amount To Be
Redeemed or Purchased**

Maturity.

In lieu of redemption of the 20__ Term Bonds pursuant to the paragraph above, amounts on deposit in the Bond Fund may also be used and withdrawn by the Trustee, at the written direction of the Authority, at any time for the purchase of 20__ Term Bonds otherwise required to be redeemed on the following November 1 at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of the 20__ Term Bonds so purchased by the Authority and surrendered to the Trustee for cancellation in any 12-month period ending on September 15 in any year will be credited towards and will reduce the par amount of the 20__ Term Bonds otherwise required to be redeemed on the following November 1 pursuant to the paragraph above.

Selection of the Series 2012 Bonds for Redemption. Any optional or extraordinary redemption of the Series 2012 Bonds will be in such order of maturity as the Authority designates (and if no specific order of redemption is designated by the Authority, pro rata among maturities). Whenever provision is made in the Indenture for the redemption of less than all of the Series 2012 Bonds of a particular maturity, the Trustee will select the Series 2012 Bonds to be redeemed from all Series 2012 Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee (or DTC, as long as DTC is the securities depository for the Series 2012 Bonds) in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each Series 2012 Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Series 2012 Bond.

Notice of Redemption. Notice of redemption will be mailed by first-class mail, postage prepaid, not less than 30 nor more than sixty 60 days before any redemption date, to the respective Owners of any Series 2012 Bonds designated for redemption at their addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services. Each notice of redemption will state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Series 2012 Bonds (or all Series 2012 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Series 2012 Bonds within a maturity are called for redemption) bond numbers of the Series 2012 Bonds to be redeemed, the maturity or maturities of the Series 2012 Bonds to be redeemed and in the case of Series 2012 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Series 2012 Bonds the Redemption Price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2012 Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Series 2012 Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority will have the right to rescind any optional or extraordinary redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption, other than a notice of mandatory sinking account redemption will be rescinded if for any reason funds are not (or will not be) available on the date fixed for redemption for the payment in full of the Series 2012 Bonds then called for redemption and such rescission will not constitute an Event of Default under the Indenture. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Series 2012 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series 2012 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Series 2012 Bonds so called for redemption will cease to accrue, said Series 2012 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2012 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Pledged Revenues; Limited Obligations

The Series 2012 Bonds will be secured by a first lien on and pledge of (a) all of the “Pledged Revenues,” which include: (i) City Payments payable by the City under the City Pledge Agreement, pursuant to which the City has pledged to the Trustee, for the benefit of the Owners of the Series 2012 Bonds to secure the payment of the City Payments, all Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance, all Available Tidelands Oil Revenue and all amounts on deposit in the City Aquarium Account; (ii) the Rental Payments payable by the Corporation to the Authority pursuant to the Lease; and (iii) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture, other than the interest, profits and other income on amounts in the Operating and Maintenance Fund, the In Lieu Renewal Operating and Maintenance Expense Account and the Rebate Fund, and, with respect to interest, profits and other income on amounts in the Operating Reserve Fund and the Renewal and Replacement Fund, only to the limited extent that amounts in such funds are to be used to pay debt service on the Series 2012 Bonds pursuant to the Indenture and (b) any other amounts held by the Trustee in any fund or account established pursuant to the Indenture (except the Operating and Maintenance Fund, the In Lieu Renewal Operating and Maintenance Expense Account, the Rebate Fund, and to the limited extent provided in the Indenture, the Operating Reserve Fund and the Renewal and Replacement Fund). See “—City Pledge Agreement; City Payments” “—Lease; Rental Payments,” and “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—[Lease” and “—City Pledge Agreement.]”

The Authority will further pledge, assign and transfer to the Trustee for the ratable benefit of the Owners of the Series 2012 Bonds from time to time all of its right, title and interest in the City Pledge Agreement, the Site Lease and the Lease, and the revenues, receipts, payments and collections thereunder, as security for the payment of the principal of and interest on the Series 2012 Bonds.

The Series 2012 Bonds are limited obligations of the Authority and are not a lien or charge upon the funds or property of the Authority, the City or the Corporation, except to the extent provided in the Indenture. The Series 2012 Bonds are not a debt of the City nor the State of California (the “State”) nor any subdivision thereof, and neither the City (except to the extent set forth in the City Pledge Agreement with respect to Available Tidelands Operating Revenue, the

Available Tidelands Operating Fund Balance and Available Tidelands Oil Revenue and amounts deposited in the City Aquarium Account) nor the State or any of its political subdivisions is liable for the payment thereof. The City will not be required to advance any moneys derived from any source other than Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance and Available Tidelands Oil Revenue, and moneys deposited in the City Aquarium Account to pay the City Payments or otherwise with respect to the City Pledge Agreement. The Authority will not be required to advance any moneys derived from any source other than the Pledged Revenues and other funds pledged under the Indenture for the payment of the principal of and interest on the Series 2012 Bonds or for any other purpose of the Indenture. The Owners of the Series 2012 Bonds will never have the right to demand payment thereof out of funds raised or to be raised by taxation. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS."

The Series 2012 Bonds are not obligations of the Corporation. The Corporation is obligated under the Lease for the payment of Rental Payments to the Authority, which the Authority will apply towards the payment of a portion of the principal of and interest on the Series 2012 Bonds in accordance with the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Lease; Rental Payments."

City Pledge Agreement; City Payments

Pursuant to the City Pledge Agreement, the City will pledge, to the extent provided in the City Pledge Agreement, all of the Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance and the Available Tidelands Oil Revenue and all amounts on deposit in the City Aquarium Account to the Trustee for the ratable benefit of the Owners of the Series 2012 Bonds to secure the payment of the City Payments. This pledge will constitute a first lien on and security interest in all of the Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance, the Available Tidelands Oil Revenue and all amounts in the City Aquarium Account. At such time in any Fiscal Year as the debt service on the Series 2012 Bonds due in such Fiscal Year has been paid in full and the amount on deposit in the City Aquarium Account is equal to the then Maximum Annual Debt Service, any Available Tidelands Operating Revenue (other than any such revenue in the City Aquarium Account) and Available Tidelands Oil Revenue on hand or thereafter received by the City in such Fiscal Year, and the then Available Tidelands Operating Fund Balance, will be free of any pledge, lien or security interest under the City Pledge Agreement and may be used by the City for any lawful purpose for which such revenues or fund balance may be used. [See "APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—City Pledge Agreement."]

"Available Tidelands Operating Revenue" means, as of any date of calculation, all of the amounts deposited or required to be deposited in the Tideland Operating Fund during the Fiscal Year in which the date of calculation occurs pursuant to the Charter of the City of Long Beach (the "City Charter") and any and all documents, agreements, ordinances, settlements or other contractual or legal rights or claims of the City, except (a) amounts required to be paid during such Fiscal Year from the Tideland Operating Fund pursuant to the Second Amended and Restated Parking Structure-Public Facilities Sublease, by and between the City and the Hyatt Long Beach Corporation, dated as of January 27, 1995 (the "Hyatt Sublease"); (b) amounts, if any, required to be paid during such Fiscal Year from the Tideland Operating Fund pursuant to the Management Agreement (Long Beach Convention and Entertainment Center) by and between the City and Spectacor Management Group ("SMG"), dated as of February 12, 1991, as amended from time to time (the "Convention Center Management Agreement"); (c) amounts required to be paid during such Fiscal Year to the State Department of Boating and Waterways for loans made under the Small Craft Harbor and Operation Contract (Long Beach Bulkhead Wall Restoration and Harbormaster Office) (the "DBAW Obligations"); (d) amounts required to be paid to the Bank of Sierra

under the lease, dated as of [_____], between the City and the Bank of Sierra (relating to the roofing system for the City's convention center) (the "Sierra Bank Lease"); and (e) any amounts associated with the City's marinas located in the Tidelands Area (the "Marinas"), the Queen Mary or the Rainbow Harbor Area. See "THE CITY, THE TIDELANDS AREA AND THE TIDELAND OPERATING FUND."

"Available Tidelands Operating Fund Balance" means as of any date of calculation, the amount on deposit in the Tideland Operating Fund that is unencumbered and available to be expended for any purpose of the Tideland Operating Fund; but will not include (a) any amounts needed to satisfy any of the obligations described in clauses (a) through and including ([e]) of the definition of "Available Tidelands Operating Revenue" due in the then current Fiscal Year or due in any prior Fiscal Year but not yet paid; (b) any amounts in any Abandonment Sub-Fund in the Tideland Operating Fund, or (c) any amounts on deposit in the Tideland Operating Fund associated with the City's marinas located in the Tidelands Area (the "Marinas"), the Queen Mary or the Rainbow Harbor Area.

"Available Tidelands Oil Revenue" means, as of any date of calculation, all of the following amounts deposited or required to be deposited in the Tideland Oil Revenue Fund during the Fiscal Year in which the calculation date occurs: (a) moneys received by the City pursuant to subdivision (e) of Section 4 of Chapter 138, California Statutes of 1964 (First Extraordinary Session) ("Chapter 138"), (b) East Wilmington Incremental Oil Revenue (as defined herein), (c) the rental payments paid to the City pursuant to the THUMS Land Lease (as defined herein), (d) the fees paid to the City pursuant to the THUMS Pipeline License (as defined herein), (e) West Wilmington Base Oil Revenue (as defined herein), (f) West Wilmington Incremental Oil Revenue (as defined herein), and (g) Tideland's Special Facilities and Services Charges (as defined herein), except any of the amounts described in (a) through (g) that are set-aside for (i) abandonment purposes, including, but not limited to amounts deposited to the Abandonment Sub-Fund in the Tideland Oil Revenue Fund or (ii) maintenance and operating expenses.

Pursuant to the City Pledge Agreement, an account, to be designated as the "City Aquarium Account," will be established and held by the City in the Tideland Operating Fund. On or before the date of delivery of the Series 2012 Bonds, the City will cause to be deposited in the City Aquarium Account, from Available Tidelands Oil Revenue, Available Tidelands Operating Revenue or the then Available Tidelands Operating Fund Balance, as determined by the City between such sources of funds, an aggregate amount equal to the Maximum Annual Debt Service as of the date of delivery of the Series 2012 Bonds (\$_____). Upon the occurrence of any withdrawal from the City Aquarium Account pursuant to the City Pledge Agreement, or if at any time the amount in the City Aquarium Account otherwise becomes less than an amount equal to the then Maximum Annual Debt Service of the Series 2012 Bonds, the City will immediately cause to be deposited to the City Aquarium Account, any then Available Tidelands Operating Fund Balance and, if the then Available Tidelands Operating Fund Balance is insufficient for such purpose, the first Available Tidelands Oil Revenue or the first Available Tidelands Operating Revenue until the amount in the City Aquarium Account is equal to then Maximum Annual Debt Service of the Series 2012 Bonds. Amounts in the City Aquarium Account will be held by the City in trust for the benefit of the Owners of the Series 2012 Bonds and the Trustee, and will not be disbursed except as provided in the City Pledge Agreement. Amounts in the City Aquarium Account will be invested only in Permitted Investments having a maturity on or before the last Business Day of the month immediately preceding the next Interest Payment Date. All earnings on amounts in the City Aquarium Account will be retained in the City Aquarium Account.

Pursuant to the Indenture, if by any April 10 or October 10 (or the date which is 20 days prior to any date, other than an Interest Payment Date, on which principal and/or interest is due on the Series 2012 Bonds) the amount on deposit in the Bond Fund is not sufficient to pay the principal of and/or interest on the Series 2012 Bonds due on the next Interest Payment Date or such other payment date for the Series 2012 Bonds, the Trustee will (i) transfer from the Surplus Fund, the Renewal and Replacement Fund (but

only to the extent that amounts on deposit therein have not been encumbered or allocated to the cost of capital improvements or major repairs to the Aquarium) and the Operating Reserve Fund (provided that the Operating and Maintenance Fund is fully funded on such date as required by the provisions of the Indenture), in that order of priority, the amount of such deficiency to the Bond Fund, and (ii) notify the City of the amount of any remaining deficiency. In the event there are not sufficient amounts on deposit in the Bond Fund to make the principal and/or interest payments on the Series 2012 Bonds due on the next Interest Payment Date (or such other payment date for the Series 2012 Bonds) after making the required transfers from the Surplus Fund, the Renewal and Replacement Fund and the Operating Reserve Fund, as described in the previous sentence, the Trustee will promptly send a written request to the City that it transfer to the Trustee, for deposit in the Bond Fund, from amounts then on deposit in the City Aquarium Account sufficient amounts so that the amount on deposit in the Bond Fund will be equal to the principal and/or interest due on the Series 2012 Bonds on the next Interest Payment Date (or such other payment date for the Series 2012 Bonds). Pursuant to the City Pledge Agreement, on the last Business Day preceding each Interest Payment Date and on the last Business Day preceding any other payment date for the Series 2012 Bonds, the City will withdraw from the City Aquarium Account and transfer to the Trustee, for deposit into the Bond Fund, the amount equal to the shortfall between the amount then on deposit in the Bond Fund and the amount due on the Series 2012 Bonds on the respective Interest Payment Date or such other payment date for the Series 2012 Bonds (each such payment being a "City Payment").

If at any time the amount then on deposit in the City Aquarium Account is greater than the then Maximum Annual Debt Service of the Series 2012 Bonds, the City may withdraw such excess from the City Aquarium Account, which such withdrawn amount may be used by the City for any purpose for which amounts in the Tideland Operating Fund may be used.

Pursuant to the City Pledge Agreement, any City Payments made under the City Pledge Agreement will be deemed to be a loan from the City to the Authority. The City will be repaid for any City Payment made to the Trustee pursuant to the City Pledge Agreement, together with interest thereon from the date of such City Payment to the date of reimbursement at a rate of interest per annum equal to the rate of interest earned on the City Treasurer's Investment Pool, as determined by the City Treasurer, from the first Aquarium Operating Revenues (as defined herein) available therefor, as provided for in the Indenture, unless the City consents to the use of such available Aquarium Operating Revenues for another Aquarium related purpose, as provided for in the Indenture. The City's consent to an alternate use of Aquarium Operating Revenues is not a waiver of the Authority's obligation to repay any amount due under the City Pledge Agreement, and the Authority will remain obligated to repay such City Payment or portion thereof, with interest, from available Aquarium Operating Revenues. Any reimbursements will be applied first to interest and then to the principal amount of such payments in inverse order of payment. The obligation of the Authority to reimburse the City from Aquarium Operating Revenues pursuant to the City Pledge Agreement will survive the termination of the City Pledge Agreement.

Lease; Rental Payments

Rental Payments. Pursuant to the Lease, the Corporation will pay to the Authority on or before the last Business Day of each month during the term of the Lease, as rent for the Aquarium, monthly rental payments in an amount equal to the Aquarium Operating Revenues (as defined below) collected by the Corporation for such month (each a "Rental Payment"). Notwithstanding the foregoing, in accordance with the provisions of the Implementation Agreement (as defined herein), the Rental Payments in any Fiscal Year will not exceed the Section 5.02(c) Rent (as defined below) and the Additional Section 5.02(c) Rent (as defined below) and as otherwise provided for in the Implementation Agreement.

“Aquarium Operating Revenues” consist of all revenues, income, receipts and money received in any period by the Corporation and derived from its operation or possession of and pertaining or related to the Aquarium and any activities of the Corporation in connection therewith, including without limitation (a) rates, tolls, tariffs, fees, rentals, admission charges and other payments made to the Corporation for the use or availability of the Aquarium; (b) amounts received by the Corporation from the sale or provision of supplies, materials, goods and services provided or made available by the Corporation at the Aquarium (including, without limitation, revenues of any kind from the lease, licensing or operation of eating establishments, snack bars, concession stands and gift shops); (c) Parking Revenues (as defined below); and (d) proceeds with respect to, arising from, or relating to the Aquarium and derived from (i) insurance (including business interruption insurance) or condemnation proceeds; (ii) accounts receivable; (iii) securities and other investments; (iv) inventory and other tangible and intangible property; (v) contract rights, accounts, instruments, claims for the payment of moneys and other rights and assets now or hereafter owned, held or possessed by or on behalf of the Corporation related to the Aquarium; and (vi) proceeds of grants, membership fees and contributions to the Corporation, but only to the extent that such proceeds are not otherwise restricted as to their use by the terms thereof in a manner inconsistent with their characterization as Aquarium Operating Revenues hereunder, and interest earnings on all grants and contributions to the extent not otherwise restricted.

“Parking Revenues” consist of gross revenues payable from the City to the Corporation derived from the parking facility located adjacent to the Aquarium (the “Parking Facility”) less (i) debt service on any debt issued to build the Parking Facility (as of [February] 1, 2012 there was approximately \$2.5 million aggregate principal amount of bonds outstanding, the proceeds of which were used, among other things, to refinance the Parking Facility); and (ii) operation and maintenance costs related to the Parking Facility. Notwithstanding the foregoing, pursuant to the terms of the Parking Agreement, dated as of April 1, 2001, as amended by the First Amendment to Parking Agreement, dated as of March 1, 2012 (the “Parking Agreement”), by and between the City and the Corporation, Parking Revenues may not exceed \$1,500,000 in any Fiscal Year. [See “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Parking Agreement.”]

“Section 5.02(c) Rent” means \$3,528,000 of Aquarium Operating Revenues in each Fiscal Year paid towards debt service on the Series 2012 Bonds pursuant to the Indenture as long as the Series 2012 Bonds are outstanding. Pursuant to the provisions of the Implementation Agreement, in the event actual Parking Revenues in any fiscal year are less than certain amounts set forth in the Implementation Agreement (2012 - \$1.2 million, 2013 - \$1.3 million, 2014 - \$1.2 million, 2015 - \$1.2 million, 2016 - \$1.2 million, 2017 - \$1.2 million, 2018 - \$1.2 million, 2019 - \$1.1 million, 2020 - \$1.4 million, and between 2021 and 2030 - \$1.5 million (all dollar amounts rounded to the nearest \$100,000)), the full Section 5.02(c) Rent of \$3,528,000 may be reduced and the Corporation may pay less than \$3,528,000.

“Additional Section 5.02(c) Rent” means Aquarium Operating Revenues available to pay debt service on the Series 2012 Bonds pursuant to the Indenture as long as the Series 2012 Bonds are outstanding after the payment of Operating and Maintenance Expenses, Section 5.02(c) Rent and Program Reinvestment Costs.

Prior to transferring the Aquarium Operating Revenues to the Trustee, the Corporation has covenanted under the Lease to deposit all Aquarium Operating Revenues, when received or as soon as practical thereafter (and in no case more than four Business Days after receipt thereof), into the Revenue Deposit Fund, which will be an account or accounts of the Corporation maintained by the Corporation at such banking institution or institutions as the Corporation from time to time designates in writing to the Authority and the City for such purpose. Pursuant to the Lease, the Corporation has pledged and granted a security interest to the Authority and the Trustee, as its agent for the benefit of the Owners of the Series 2012 Bonds, in the Aquarium Operating Revenues and the Revenue Deposit Fund. See “THE

AQUARIUM” and “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Lease.”

Allocation of Aquarium Operating Revenues. All Aquarium Operating Revenues (including any Parking Revenues) received by the Trustee will be deposited in the Revenue Fund and applied as set forth in the Indenture. On the fourth Business Day of each calendar month, commencing with the month following the month in which the Series 2012 Bonds are delivered, the Trustee will transfer amounts on deposit in the Revenue Fund to one or more of the following respective separate funds, in the following order of priority: (1) the Operating and Maintenance Fund, (2) the Operating Reserve Fund, (3) the Bond Fund, (4) the Bond Reserve Fund, (5) the Renewal and Replacement Fund, (6) the City, the amount required to be reimbursed to the City pursuant to the City Pledge Agreement, (7) the Corporation or a third-party obligee identified by the Corporation, and (8) the Surplus Fund. “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—[Indenture].”

Covenants to Operate the Aquarium and Collect Aquarium Operating Revenues. The Corporation has agreed under the Lease to operate the Aquarium as an aquarium facility (including related uses) open to the public. Without limiting the generality of the foregoing, the Corporation will (a) use its best efforts to cause the Aquarium to be operated and maintained in a commercially reasonable manner designed to attract a sufficient number of visitors per year to generate sufficient Aquarium Operating Revenues to pay all costs and expenses of operation and maintenance of the Aquarium (including payment of Operating and Maintenance Expenses, debt service on any indebtedness secured by the Aquarium or the revenues thereof and funding of the Operating Reserve Requirement and the Renewal and Replacement Requirement); (b) cause the Aquarium to be operated and maintained by qualified and experienced personnel; and (c) employ (i) a chief executive officer; (ii) a director of husbandry qualified and experienced in the operation and management of public aquaria and zoos similar to the Aquarium; and (iii) such other personnel as necessary to maintain and operate the Aquarium.

The Corporation has agreed under the Lease to impose, levy, enforce and collect such admission charges, parking charges, concession prices, lease rentals, licensing fees and other fees and charges with respect to the Aquarium, based on general economic conditions and customary practices with respect to the operation of aquaria, to generate such Aquarium Operating Revenues as projected in the budget of the Aquarium (the “Aquarium Budget”). The Corporation has covenanted and agreed under the Lease that if at any time actual Aquarium Operating Revenues are less than budgeted Aquarium Operating Revenues by more than 10% per fiscal quarter for three consecutive fiscal quarters, at the direction of the City, the Corporation will promptly employ an Independent Consultant to make recommendations as to a revision of the rates, fees and charges of the Corporation or the methods of operation of the Corporation that will result in producing Aquarium Operating Revenues in such amounts as required by the Aquarium Budget. “Independent Consultant” means any independent certified public accountant or other independent consultant who is nationally recognized as being experienced in the preparation of management studies for use in connection with the financing or operations of aquarium facilities, and who is engaged by the Corporation subject to the approval of the City. The Corporation will, to the extent feasible, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, revise its rates, fees and charges or its methods of operation or collections and will take such other action as will be in conformity with such recommendations. In the event that the Corporation fails to comply with the recommendations of the Independent Consultant, subject to the applicable requirements or restrictions imposed by law, the City or the Trustee, at the request of the City, may, in addition to the rights and remedies elsewhere set forth in the Lease, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the Corporation to comply with the recommendations and requirements of this paragraph. If the Corporation complies in all material respects with the reasonable recommendations of the Independent Consultant in respect to said rates, fees,

charges and methods of operation or collection, the Corporation will be deemed to have complied with the covenants contained in the Lease for such Fiscal Year, notwithstanding that Aquarium Operating Revenues may be less than the amount set forth in the Aquarium Budget; provided that this sentence will not be construed as to in any way excuse the Corporation from taking any action or performing any duty required under the Lease or the Indenture or be construed as constituting a waiver of any other default.

Notwithstanding the provisions of the Lease described in the previous paragraph, pursuant to the terms of the Implementation Agreement, dated as of March 1, 2006, as amended (the "Implementation Agreement"), by and between the City and the Corporation, as long as the Corporation is pursuing in good faith the Additional Improvements (as defined below) and the Additional Improvements Contributions (as defined below), and as long as Section 5.02(c) Rent is paid in each Fiscal Year, the City will not direct the Corporation to employ an Independent Consultant as provided under the Lease. Notwithstanding the previous sentence, the Corporation has agreed that in the event that the City transfers City Payments pursuant to the City Pledge Agreement in any five years out of a seven-year period, the City will have the right to direct the Corporation to employ an Independent Consultant pursuant to the Lease; provided that the Corporation will not be directed to employ an Independent Consultant more than once in any 12 month period so long as the Corporation employs the Independent Consultant as directed and the Independent Consultant has performed or is continuing to perform the services for which it was employed.

"Additional Improvements" means a project consisting of the planning, design, construction, betterments and additions to the Aquarium described in the master plan of the Corporation, as may be amended from time to time by the board of directors of the Corporation in consultation with the City.

"Additional Improvements Contribution" means contributions to the Corporation restricted as to their use by the terms thereof to construction of Additional Improvements, as determined on a cash basis.

[See "APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Implementation Agreement."]

Funds and Accounts

Pursuant to the Indenture, the following funds and accounts will be established and maintained by the Trustee.

Operating and Maintenance Fund. All amounts in the Operating and Maintenance Fund will be used and withdrawn by the Corporation solely for the purpose of paying "Operating and Maintenance Expenses," which consist of (a) all costs of the operation and maintenance of the condition of the Aquarium, including but not limited to all buildings, waterworks, parking facilities, and other structures or areas and service and safety facilities of the Aquarium and such other costs as are customarily treated as operating and maintenance expenses as determined on a cash basis; (b) the administrative expenses of the Corporation allocable to the Aquarium and the administrative expenses of the Authority with respect to the Series 2012 Bonds; (c) all other costs, fees or expenses related to the Aquarium, the Lease or the Indenture; (d) the cost of routine repairs and items otherwise payable from the Renewal and Replacement Fund that are specifically identified in the Aquarium Budget to be payable as Operating and Maintenance Expenses; (e) In Lieu Renewal Operating and Maintenance Expenses; and (f) cost of construction of Additional Improvements.

Notwithstanding the foregoing, the Trustee will transfer from the Operating and Maintenance Fund to the In Lieu Renewal Operating and Maintenance Expense Account from time to time such amounts as the Corporation designates in a written request of the Corporation specifying the amount to be

transferred and to the effect that such amount is budgeted for In Lieu Renewal Operating and Maintenance Expenses in the Aquarium Budget for the current Fiscal Year in accordance with the Implementation Agreement and the Corporation's bylaws.

Operating Reserve Fund. Amounts in the Operating Reserve Fund will be transferred to the Operating and Maintenance Fund upon a written request of the Corporation for the purpose of paying budgeted Operating and Maintenance Expenses in the event amounts then on deposit in the Operating and Maintenance Fund are insufficient therefor. All earnings on amounts in the Operating Reserve Fund will be retained in the Operating Reserve Fund; provided that any amounts on deposit in the Operating Reserve Fund in excess of the Operating Reserve Requirement will be transferred to the Revenue Fund and applied as set forth in the Indenture. Earnings on amounts in the Operating Reserve Fund needed to pay the principal of or interest on the Series 2012 Bonds may be transferred by the Trustee without the need for a written request or other form of order from the Corporation or the Authority.

Bond Fund. Except as specified in the Indenture, all amounts in the Bond Fund will be used and withdrawn by the Trustee solely for the purpose of (a) paying interest on the Series 2012 Bonds as it becomes due and payable (including accrued interest on any Series 2012 Bonds purchased or redeemed prior to maturity); (b) redeeming or paying the principal of the Series 2012 Bonds when due and payable; and (c) purchasing or redeeming or paying at maturity the 20__ Term Bonds as provided in the Indenture.

In the event that on any April 10 or October 10, or on the 20th day prior to the day amounts are due on the Series 2012 Bonds (if such date of payment is other than an Interest Payment Date), the amount in the Bond Fund is insufficient to pay the principal of, mandatory sinking account payments for and interest on the Series 2012 Bonds due on the next Interest Payment Date or such other date of payment for the Series 2012 Bonds, the Trustee will (i) transfer from the Surplus Fund, the Renewal and Replacement Fund (to the extent that amounts on deposit therein have not been encumbered or allocated to the cost of capital improvements or major repairs) and the Operating Reserve Fund (provided that the Operating and Maintenance Fund is fully funded on such date as required in the Indenture), in that order of priority, the amount of such deficiency to the Bond Fund, and (ii) notify the City of the amount of any remaining deficiency. Pursuant to the City Pledge Agreement, the City is required to may City Payments to satisfy any such remaining deficiency. See “—City Pledge Agreement; City Payments.”

In the event that there are insufficient funds for the payment of the principal or mandatory sinking account payments of or interest on the Series 2012 Bonds in any of the funds referred to in the preceding paragraph and the City Payments are insufficient to pay such amounts, the Trustee will withdraw from the Bond Reserve Fund the amount of the deficiency.

Bond Reserve Fund. At the time of delivery of the Series 2012 Bonds, a portion of the Series 2012 Bond proceeds will be deposited in the Bond Reserve Fund in an amount equal to \$_____ (the lesser of (a) 10% of the original principal amount of the Series 2012 Bonds, (b) Maximum Annual Debt Service on all then Outstanding Bonds, and (c) 125% of average Annual Debt Service on the Series 2012 Bonds (the “Bond Reserve Fund Requirement”)).

All amounts in the Bond Reserve Fund will be used and withdrawn by the Trustee for the purpose of making up any deficiency in the Bond Fund in the manner and to the extent set forth in the Indenture. Any amount in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement will be transferred on the fourth Business Day prior to each Interest Payment Date and on any other date at the written request of the Authority or the City, to the Rebate Fund, if required for the purposes of such fund, and otherwise will be transferred on each such date to the Bond Fund and applied as provided in the Indenture.

Renewal and Replacement Fund. Amounts in the Renewal and Replacement Fund will be withdrawn and transferred to the Corporation for the purpose of paying the costs of any repair, maintenance or replacement of any portion of the Aquarium or additional improvements and facilities with respect to the Aquarium necessary to maintain the Aquarium's competitive position. All earnings on amounts in the Renewal and Replacement Fund will be retained in the Renewal and Replacement Fund; provided that any amounts on deposit in the Renewal and Replacement Fund in excess of the Renewal and Replacement Fund Requirement will be transferred to the Revenue Fund and applied as set forth in the Indenture. Moneys in the Renewal and Replacement Fund not encumbered for the payment of repairs, replacements or capital improvements (such encumbrance having been evidenced in writing by the Corporation at the time such repairs, replacements or capital improvements are contracted for or otherwise committed pursuant to a capital improvement program approved by the Corporation) and needed to pay the principal of or interest on the Series 2012 Bonds pursuant to will be transferred by the Trustee without the need for a written requisition or other form of order from the Corporation or the Authority.

Surplus Fund. There will be deposited into the Surplus Fund Aquarium Operating Revenues as required by the Indenture. From time to time amounts in the Surplus Fund may be transferred to (a) the Revenue Fund to be used for the purposes of the Revenue Fund, (b) the Bond Fund to be used for the purposes of the Bond Fund, (c) the Rebate Fund to be used for the purposes of the Rebate Fund, (d) the Corporation to be used to pay costs and expenses related to the Aquarium, or (e) a subaccount of the Surplus Fund and applied to the payment of the redemption price of Series 2012 Bonds with respect to an optional redemption of the Series 2012 Bonds; provided that only when there are sufficient moneys in the Surplus Fund to pay the redemption price on the Series 2012 Bonds to be redeemed, including moneys sufficient to pay the premium, if any, will such Series 2012 Bonds be redeemed.

In Lieu Renewal Operating and Maintenance Expense Account. Amounts in the In Lieu Renewal Operating and Maintenance Expense Account will be withdrawn from time to time by the Trustee and paid to the Corporation or its order upon receipt by the Trustee of a written request of the Corporation which specifies the amount to be disbursed, the entity to whom the disbursement is to be paid and to the effect that the disbursement is in accordance with the current Aquarium Budget and the applicable terms of the Implementation Agreement.

Rebate Fund. The Rebate Fund will be established and maintained and held in trust by the Trustee, separate from any other fund or account established and maintained under the Indenture, and all money deposited therein will be held by the Trustee in trust, to the extent required to satisfy any rebate payment obligation pursuant to the Tax Certificate for payment to the United States of America.

Additional Obligations

Additional Bonds. The Authority may by supplemental indenture authorize one or more series of Additional Bonds, in addition to the Series 2012 Bonds, payable from and secured by the assets pledged under the Indenture on a parity with Bonds previously issued (including the Series 2012 Bonds), and the Authority may issue, and the Trustee will authenticate and deliver to the purchasers thereof, Additional Bonds of any series so authorized, in such principal amount as determined by the Authority, but only upon compliance by the Authority with the provisions set forth in said supplemental indenture, and in any event subject to the following specific conditions, which are conditions precedent to the issuance of any such series of Additional Bonds: (a) no Event of Default will have occurred and then be continuing; (b) the Additional Bonds must be Refunding Bonds (as defined under "APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—[Definitions]); (c) the supplemental indenture providing for the issuance of such Additional Bonds will specify the terms and form of such Additional Bonds; and (d) the supplemental indenture providing for the issuance of such

Additional Bonds will provide for such deposit as may be necessary, if any, to increase the balance in the Bond Reserve Fund to an amount at least equal to the Bond Reserve Fund Requirement with respect to all series of which any Bonds will be Outstanding upon the issuance of such Additional Bonds (said deposit may be made from the proceeds of sale of such Additional Bonds or any other lawful source, as provided in said supplemental indenture).

Nothing in the Indenture prevents or should be construed to prevent the supplemental indenture providing for the issuance of Additional Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of all Bonds.

Additional Tideland Operating Fund and Tideland Oil Revenue Fund Obligations. The City may issue or enter into other obligations secured by or on a parity with the pledge of and lien on Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance and Available Tidelands Oil Revenue (but not on amounts in the City Aquarium Account in any event), provided that: (a) there are no events of default under the City Pledge Agreement; and (b) average annual aggregate Available Tidelands Oil Revenue and Available Tidelands Operating Revenue, based on actual aggregate Available Tidelands Oil Revenue and Available Tidelands Operating Revenue for the two Fiscal Years immediately preceding the issuance of such obligations, exceeds 2.5 times the sum of (i) the then Maximum Annual Debt Service on the Series 2012 Bonds and (ii) the maximum annual payments to be made in any Bond Year from the aggregate of Available Tidelands Oil Revenue and Available Tidelands Operating Revenue with respect to all parity obligations issued or to be issued by the City.

Nothing in the City Pledge Agreement restricts the ability of the City to pledge or place a lien on the Available Tidelands Operating Revenue, the Available Tidelands Operating Fund Balance or the Available Tidelands Oil Revenue that is subordinate to the pledge of and lien on such funds as provided in the City Pledge Agreement.

Permitted Investments

Moneys held by the Trustee under the Indenture will be invested as directed by the Authority in Permitted Investments, subject to the restrictions set forth in the Indenture. [See “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Indenture.”]

Other Covenants

In addition to the covenants described above, the Indenture, the City Pledge Agreement and the Lease include covenants by the Authority, the City and the Corporation with respect to the Series 2012 Bonds, the City Payments and the Aquarium. [See “APPENDIX E—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”]

DEBT SERVICE REQUIREMENTS FOR SERIES 2012 BONDS

The following table sets forth the debt service requirements for the Series 2012 Bonds.

<u>Year Ended November 1</u>	<u>Principal Requirement</u>	<u>Interest Requirement</u>	<u>Total Debt Service Requirement</u>
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			

THE CITY, THE TIDELANDS AREA AND THE TIDELAND OPERATING FUND

The City

The City is a major industrial and trade center, and popular beach resort area in the State. The City encompasses approximately 52 square miles of coastal area located on the southern edge of Los Angeles County (the "County"). With a current population of approximately 462,000 people, the City is the second largest city in the County and the seventh largest in the State. The center of the City is 22 miles south of downtown Los Angeles, 450 miles south of San Francisco and 110 miles north of San Diego. 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. See "APPENDIX D—ECONOMIC AND DEMOGRAPHIC DATA OF THE CITY OF LONG BEACH."

The Tidelands Area

The State granted to the City all of the tidelands within the City's limits, from the mean high tide line to three miles offshore (the "Tidelands Area"). The City received these properties from the State in trust, for the purposes of developing commerce, navigation, fisheries and recreation. The Aquarium is located in the Tidelands Area. Under State law and the City Charter, revenues derived from operation of the Tidelands Area can only be used to pay expenses and debt service relating to the Tidelands Area, which includes debt service on the Series 2012 Bonds.

The City has established separate funds to segregate revenues derived from the various enterprise activities of the Tidelands Area. These funds include, but are not limited to, the Tideland Operating Fund, the Tideland Oil Revenue Fund and the Harbor Revenue Fund. Pursuant to the City Pledge Agreement, certain revenues derived from activities in the Tidelands Area that are deposited into the Tideland Operating Fund and the Tideland Oil Revenue Fund are pledged to the payment of the principal of and interest on the Series 2012 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—City Pledge Agreement; City Payments.”

The Tideland Operating Fund

Pursuant to the City Pledge Agreement, the City has pledged to the Trustee, for the benefit of the Owners of the Series 2012 Bonds to secure the payment of the City Payments, all Available Tidelands Operating Revenue and the Available Tidelands Operating Fund Balance.

The Tideland Operating Fund is established and maintained by the City Treasurer pursuant to Section 1710 of the City Charter (the “Tideland Operating Fund”). Generally, revenues derived from the conduct and maintenance of operations, facilities and other improvements situated on the Tidelands Area, outside of the Harbor District, are deposited to the Tideland Operating Fund, except for revenues attributable to oil and gas operations. Additionally, certain transfers from Tideland Oil Revenue Fund and the Harbor Revenue Fund are deposited to the Tideland Operating Fund.

The two largest sources of revenue deposited to the Tideland Operating Fund include transfers from the Tideland Oil Revenue Fund and transfers from the Harbor Revenue Fund. Approximately 87% of the total revenues deposited to the Tideland Operating Fund in the fiscal year ended September 30, 2011 (“Fiscal Year 2011”) and available to make City Payments under the City Pledge Agreement came from transfers from the Tideland Oil Revenue Fund and transfers from the Harbor Revenue Fund.

Tideland Oil Revenue Fund Transfers to the Tideland Operating Fund. One of the largest sources of revenue payable into the Tideland Operating Fund is derived from the operation of the Wilmington Oil Field located in the Tidelands Area. The oil fields in the Tidelands Area are primarily located in the Wilmington Oil Field, which is comprised of West Wilmington (“West Wilmington”) and East Wilmington (Long Beach Unit) (“East Wilmington” or “Long Beach Unit”). The fields constitute one of the largest sources of oil in the continental United States. Most revenues from oil operations in the Wilmington Field are deposited into the Tideland Oil Revenue Fund, and a portion of such revenues are then transferred (after approval from the City Council) into the Tideland Operating Fund. The majority of the net revenues derived from operating the Wilmington Oil Field are paid to the State. The transfers from the Tideland Oil Revenue Fund to the Tideland Operating Fund consist primarily of the Available Tidelands Oil Revenue. As discussed in more detail below under “AVAILABLE TIDELANDS OIL REVENUE,” the Available Tidelands Oil Revenue consist of moneys received by the City pursuant to subdivision (e) of Section 4 of Chapter 138, the East Wilmington Incremental Oil Revenue, the rental payments paid to the City pursuant to the THUMS Land Lease, the fees paid to the City pursuant to the THUMS Pipeline License, the West Wilmington Base Oil Revenue, the West Wilmington Incremental Oil Revenue, and the Tideland’s Special Facilities and Services Charge. In Fiscal Year 2011, the City transferred approximately \$53 million of Available Tidelands Oil Revenue from the Tideland Oil Revenue Fund to the Tideland Operating Fund.

Harbor Revenue Fund Transfers to the Tideland Operating Fund. Another major source of revenue payable into the Tideland Operating Fund are transfers from the City’s Harbor Department (the “Harbor Department”). The Harbor Department was created by the City Charter to promote, develop and operate the Port of Long Beach (the “Port”), the second ranked container port in the nation in terms of

container cargo for the year ended December 31, 2011. There are two separate Harbor Department transfers to the Tideland Operating Fund: (1) a transfer that consists of a reimbursement to the Tideland Operating Fund for police and fire services (this revenue is entirely offset by the commensurate amount of expenditures for police and fire services); and (2) the 5% Transfer that is discussed in the following paragraph. *Only amounts derived from the 5% Transfer will be available to deposit to the City Aquarium Account and to pay the principal of and interest on the Series 2012 Bonds.*

The City Charter (as amended by Measure D (as defined below)) permits in each fiscal year a transfer (the "5% Transfer") from the Harbor Revenue Fund, subject to the approval of two-thirds of the members of the City Council, an amount necessary to meet the lawful obligations of the Tideland Operating Fund. Such transfer may not exceed 5% of the gross operating revenues of the Harbor Department as shown on the most recent available independently audited financial statements of the Harbor Department. The 5% Transfer also is subject to the prior approval of a majority of all the members of the Board of Harbor Commissioners of the City (the "Harbor Board"), expressed by resolution, finding and determining that the funds proposed to be transferred will not be needed for Harbor Department operations, including, without limitation, operating expenses and capital projects, and that such transfer will not result in insufficient funds to pay the principal of and interest on the revenue bonds issued by the Harbor Department (as of March 1, 2012 the Harbor Department had \$693.5 million aggregate principal amount of its Harbor Revenue Bonds outstanding) or result in noncompliance by the Harbor Department of its debt to revenue coverage requirements. See "THE PORT OF LONG BEACH" and "APPENDIX A—HARBOR DEPARTMENT OF THE CITY OF LONG BEACH AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009." In Fiscal Year 2011, the Harbor Department's 5% Transfer to the Tideland Operating Fund amounted to \$17.3 million.

Other Sources of Tideland Operating Fund Revenue. The Tideland Operating Fund also receives revenue from (a) the Long Beach Convention Center (the "Convention Center"); (b) the Hyatt Sublease; (c) fees, concessions and rentals (which include revenues from an office building complex, island excursion boat, metered parking and citations, aquatic sports facility, recreational vehicle park, hotel, restaurants, and unreserved proceeds from lease agreement with the Queen Mary attraction/hotel/submarine and retail area); and (d) certain other revenues that are primarily interest earnings. Commercial facilities in the Tidelands Area are operated under ground leases, which generally provide for the City to receive rent based on a percentage of net profits received from the operation of the applicable facility.

Amounts Payable From Tideland Operating Fund Prior to Payment of Debt Service on Series 2012 Bonds. Certain obligations and expenses of the City are payable from amounts on deposit in the Tideland Operating Fund prior to the deposit of amounts to the City Aquarium Account and the payment of debt service on the Series 2012 Bonds. These obligations and expenses include: (a) amounts required to be paid under the Hyatt Sublease; (b) amounts, if any, required to be paid pursuant to the Convention Center Management Agreement; (c) the DBAW Obligations (the DBAW Obligations terminate in 2027 and 2030); (d) amounts required to be paid to contractors or otherwise committed to pay costs of the waterflood program, including amounts due to Oxy (THUMS Long Beach Company and Tidelands Oil Production Company); (e) amounts required to be deposited to the Subsidence Fund; (f) reimbursements to the City for City staff interdepartmental charges related to administration and operations of oil properties, including but not limited to costs of subsidence surveys and other consultant costs; and (g) other amounts required to be paid pursuant to applicable State legislation, or contracts in existence as of the initial date of delivery of the Series 2012 Bonds (and any renewals thereof) related to harbor uplands and water plants.

Additional Uses of Amounts on Deposit in Tideland Operating Fund. In addition to securing the payment of the City Payments and the other uses described above under “Amounts Payable From Tideland Operating Fund Prior to Payment of Debt Service on Series 2012 Bonds,” the City plans to use Available Tidelands Operating Revenue and other amounts on deposit in the Tideland Operating Fund to finance certain capital improvement projects to be located in the Tidelands Area. The City has preliminary identified approximately \$310 million of capital improvement projects. Before constructing any of these capital improvement projects, approval from City Council and the State Lands Commission will be required. In [____], 2012, City Council is expected to approve submitting approximately \$17 million of projects, that will be financed with Available Tidelands Operating Revenue and other amounts on deposit in the Tideland Operating Fund, to the State Lands Commission for its review and approval. At this time, the City cannot predict if or when the City Council and the State Lands Commission will approve the \$17 million of current projects or any other future projects that may be financed from Available Tidelands Operating Revenue and other amounts on deposit in the Tideland Operating Fund.

The following table sets forth historical Available Tidelands Operating Revenues for the fiscal years ended September 30, 2007 through September 30, 2011 and projected Available Tidelands Operating Revenues for the fiscal years ending September 30, 2012 through September 30, 2016.

**TABLE 1
HISTORICAL AND PROJECTED AVAILABLE TIDELANDS OPERATING REVENUES
FISCAL YEARS ENDED SEPTEMBER 30, 2007-2016**

	Historical					Projected ¹				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Other Licenses and Permits	\$ 115,908	\$ 156,211	\$ 201,985	\$ 191,951	\$ 206,624	\$ 206,624	\$ 206,624	\$ 206,624	\$ 206,624	\$ 206,624
Traffic Fines	282,780	210,671	313,931	392,822	326,603	326,603	326,603	326,603	326,603	326,603
Interest	2,336,949	2,613,586	1,435,100	779,116	892,505	863,612	863,612	863,612	863,612	863,612
Parking Fees	627,602	626,026	587,155	587,076	574,058	574,058	574,058	574,058	574,058	574,058
Facilities Rentals and Concessions ²	10,076,562	3,830,757	4,187,833	4,256,048	4,364,012	4,364,012	4,364,012	4,364,012	4,364,012	4,364,012
Marine Fees and Rentals	625,277	635,065	688,214	709,551	697,393	697,393	697,393	697,393	697,393	697,393
Tidelands Fees, Concessions, and Rent	139,055	142,567	145,200	135,619	133,827	133,827	133,827	133,827	133,827	133,827
Convention Center Revenue	1,089,633	952,554	916,043	936,386	858,014	858,014	858,014	858,014	858,014	858,014
Hyatt Utility Reimbursement	584,827	487,965	600,947	527,542	439,919	439,919	439,919	439,919	439,919	439,919
Miscellaneous Revenues ³	402,332	391,145	397,147	398,145	398,145	398,145	398,145	398,145	398,145	398,145
Other Fees	819,667	839,507	754,341	755,647	771,863	771,863	771,863	771,863	771,863	771,863
Engineering and Other	100,000	100,000	100,000	100,000	131,758	131,758	131,758	131,758	131,758	131,758
Interfund Transfers	529,087	523,209	517,644	521,134	518,444	-	-	-	-	-
Interfund Transfers from TORF ⁴	11,995,277	30,724,253	14,692,953	18,873,949	53,164,000	31,153,276	31,127,987	30,606,626	29,747,589	28,983,306
Interfund Transfers from Harbor Dept. ⁵	15,399,535	16,059,464	16,083,972	24,442,482	17,274,174	17,269,485	17,269,486	17,269,486	17,269,487	17,269,488
Other Revenues ⁶	<u>418,091</u>	<u>237,761</u>	<u>359,066</u>	<u>238,382</u>	<u>283,234</u>	<u>283,234</u>	<u>283,234</u>	<u>283,234</u>	<u>283,234</u>	<u>283,234</u>
Total Revenues	45,542,583	58,530,741	41,981,530	53,845,850	81,034,573	58,471,823	58,446,535	57,925,174	57,066,138	56,301,856
Prior Obligations										
Hyatt Sublease	\$2,855,263	\$2,855,263	\$713,816	-	\$291,526	\$111,000	\$111,000	\$111,000	\$111,000	\$111,000
Convention Center Management Agreement	1,075,670	814,867	1,336,422	\$894,132	1,172,330	1,075,668	1,075,668	1,075,668	1,075,668	1,075,668
DBAW Obligations	79,420	79,408	79,395	79,382	79,368	79,354	79,339	79,323	79,306	79,289
Sierra Bank Lease	<u>71,762</u>	<u>52,122</u>	<u>52,122</u>	<u>52,122</u>	<u>52,122</u>	<u>52,122</u>	<u>52,122</u>	<u>52,122</u>	<u>52,122</u>	<u>52,122</u>
Total Prior Obligations	\$4,082,115	\$3,801,660	\$2,181,755	\$1,025,636	\$1,595,346	\$1,318,144	\$1,318,129	\$1,318,113	\$1,318,096	\$1,318,079
Total Available Tidelands Operating Revenues	\$41,460,468	\$54,729,081	\$39,799,775	\$52,820,214	\$79,439,227	\$57,153,679	\$57,128,406	\$56,607,061	\$55,748,042	\$54,983,777

¹ Actual results may vary from projected results and such variance could be material. See "RISK FACTORS—Forward-Looking Statements.

² In fiscal year 2007, Facilities Rentals and Concessions, as part of a settlement agreement related to the operation of the Queen Mary, recorded a \$4.4 million payment as well as accruing revenue of \$2.7 million for facilities.

³ Miscellaneous Revenues represent amounts provided by outside agencies such as Los Angeles County for beach cleanup.

⁴ See "AVAILABLE TIDELANDS OIL REVENUE."

⁵ Between fiscal years 2007 and 2010 Interfund Transfers from the Harbor Department consisted of the Harbor Department's transfer of 10% of the net income of the Harbor Department to the City as provided for in Section 1209(c)(4) of the Charter. As a result of the passage of Measure D, beginning in fiscal year 2011, the Harbor Department's transfer to the City equals 5% of the Harbor Department's gross operating revenues. Does not include Interfund Transfers from the Harbor Department with respect to the reimbursement of costs of public safety services within the Harbor District.

⁶ Other Revenues consists of the following revenue sources: other investment income, slip rent, oil - contractor revenues, infrastructure revenues, police/fire related grants, contributions, public safety fees, City Clerk fees, water charges, Port operations, park, recreation and marine, and advertising revenues. Other Revenues for fiscal year 2007 included a one time payment of \$125,870.31 from the health fund for the reimbursement of accumulated overstated charges.

Source: City of Long Beach

The following table sets forth the Statements of Net Assets for the Tideland Operating Fund for the fiscal years ended September 30, 2007 through September 30, 2011.

TABLE 2
TIDELAND OPERATING FUND
STATEMENTS OF NET ASSETS¹
AS OF SEPTEMBER 30, 2007 – 2011
(Dollars in thousands (000's))

	2007	2008	2009	2010	2011 ²
ASSETS					
Current Assets					
Pooled Cash and Cash Equivalents	\$ 26,524	\$ 46,502	\$ 46,877	\$ 61,020	\$112,105
Non-Pooled Cash and Cash Equivalents	15,915	15,533	7,164	6,281	6,609
Non Performing Investments	0	265	265	265	265
Receivables					
Interest Receivable	247	250	60	50	44
Accounts Receivable	8,528	1,840	3,089	2,721	3,487
Due from Other Governments	340	272	212	3,218	589
Capital Leases Receivable – Current	419	108	0	0	0
Due from Other Funds	17,572	21,093	20,341	28,710	23,803
Allowance for Receivables	(7)	(7)	(9)	(6)	(8)
Other Assets – Current	0	0	501	0	0
Total Current Assets	<u>69,538</u>	<u>85,856</u>	<u>78,500</u>	<u>102,259</u>	<u>146,894</u>
Noncurrent Assets					
Restricted Noncurrent assets					
Non-Pooled Investments	0	0	9,182	9,423	9,451
Capital Lease Receivables	108	0	0	0	0
Capital Assets					
Land and Other Capital Assets not being Depreciated	33,827	31,392	29,902	33,065	27,915
Property, Plant and Equipment net of					
Accumulated Depreciation	<u>183,052</u>	<u>177,633</u>	<u>173,252</u>	<u>165,010</u>	<u>158,930</u>
Total Noncurrent Assets	<u>216,987</u>	<u>209,025</u>	<u>212,336</u>	<u>207,498</u>	<u>196,296</u>
Total Assets	<u>286,525</u>	<u>294,881</u>	<u>290,836</u>	<u>309,757</u>	<u>343,190</u>
LIABILITIES					
Current Liabilities Payable from Current Assets					
Accounts Payable	1,078	1,705	2,235	2,753	2,262
Accrued Wages	315	400	410	406	186
Accrued Interest Payable	2,695	2,647	2,595	2,540	2,480
Due to Other Funds	889	954	1,049	2,401	1,023
Deferred Revenues	2,993	2,960	775	165	106
Collections Held in Trust	35	35	28	28	54
Obligations Under Capital Leases – Current	2,531	672	24	25	26
Bonds Payable Due Within One Year	2,870	2,985	3,105	3,240	3,380
Other Long-Term Obligations – Current	<u>38</u>	<u>39</u>	<u>41</u>	<u>43</u>	<u>45</u>
Total Current Liabilities	<u>13,444</u>	<u>12,397</u>	<u>10,262</u>	<u>11,601</u>	<u>9,562</u>
Noncurrent Liabilities					
Advances from Other Funds	23,020	26,267	27,119	24,045	24,397
Deferred Revenues	0	0	4,692	5,356	5,183
Obligations Under Capital Leases	1,237	565	541	516	490
Other Long-Term Obligations	895	856	815	772	727
Bonds Payable	123,885	120,900	117,795	114,555	111,175
Unamortized Discount (Premium) Deferred cost	<u>(11,791)</u>	<u>(10,981)</u>	<u>(10,188)</u>	<u>(9,412)</u>	<u>(8,651)</u>
Total Noncurrent Liabilities	<u>137,246</u>	<u>137,607</u>	<u>140,774</u>	<u>135,832</u>	<u>133,321</u>
Total Liabilities	<u>150,690</u>	<u>150,004</u>	<u>151,036</u>	<u>147,433</u>	<u>142,883</u>
NET ASSETS (DEFICIT)					
Investment in Capital Assets, Net of Related Debt	97,214	93,989	82,080	97,659	88,976
Restricted for:					
Debt Service	14,384	12,197	11,103	11,430	9,548
Capital Projects	0	1,084	1,015	76	0
General Purpose	6,592	6,205	6,964	6,199	6,551
Unrestricted	<u>17,645</u>	<u>31,402</u>	<u>38,638</u>	<u>49,960</u>	<u>95,232</u>
Total Net Assets (Deficit)	<u>\$135,835</u>	<u>\$144,877</u>	<u>\$139,800</u>	<u>\$162,324</u>	<u>\$200,307</u>

¹ Does not include any moneys related to the Marinas, the Queen Mary or Rainbow Harbor.

² Unaudited. Fiscal year 2011 financial information is based on unaudited actual results.

Source: For fiscal years 2007-2010, the City of Long Beach, California Comprehensive Annual Financial Report for fiscal years ended September 30, 2007-2010. For fiscal year 2011, unaudited actual results.

Investment of Tideland Operating Fund. Moneys deposited to the Tideland Operating Fund are pooled with the other City funds and are maintained and invested by the City Treasurer. Interest income and gains and losses earned on pooled cash and investments are allocated monthly to the various pool participants (including the Tideland Operating Fund) based on their average daily cash balances.

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 are also provided to the City Manager, City Auditor, and the City Council which detail investment activity and portfolio balances. In addition, the Investment Advisory Committee, comprised of the Offices of the City Manager, City Auditor, City Attorney, Director of Financial Management, City Treasurer, City Controller, Budget and Performance Bureau Manager, and the Chief Financial Officers of the Harbor Department, Water and Development Services Departments meets monthly, or as needed, with the City's investment advisor 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:

- (a) 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 three years.
- (b) Sufficient liquidity: to meet all operating requirements that might be reasonably anticipated.
- (c) Return on investment: to attain market average rates of return through economic cycles. The investment strategy is to seek above market average rates of return consistent with the risk limitations and prudent investment principles of the City's Investment Policy. The City has established three benchmark measures for the pool funds portfolio: the 91-day U.S. Treasury Bill rate for the short-term portfolio, the one-year Constant Maturity Treasury index for the mid-term portfolio, and the Merrill Lynch AAA U.S. Treasury/Agency Index for the long-term portfolio.

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

According to the City Treasurer's Quarterly Report for the quarter ended December 31, 2011, the City's invested funds totaled approximately \$[] billion (of which approximately \$[] million consisted of moneys on deposit in the Tideland Operating Fund). The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. On December 31, 2011, []% of the total City Portfolio was invested in U.S. Treasury and Agency Notes, []% in FDIC-insured medium term notes, []% in the State of California Local Agency Investment Pool ("LAIF"), and []% in other types of fixed income securities.

A summary of the City Treasurer's Quarterly Report for the quarter ended December 31, 2011, is set forth below:

TABLE 3
CITY OF LONG BEACH
INVESTED FUNDS
(QUARTER ENDED DECEMBER 31, 2011)

Pooled Fund

Invested Market Balance
Portfolio Market Yield
Short-term Weighted Average Maturity in Years
Intermediate-term Weighted Average Maturity in Years
Long-term Weighted Average Maturity in Years

Source: The City

AVAILABLE TIDELANDS OIL REVENUE

General

Pursuant to the City Pledge Agreement, the City has pledged to the Trustee, for the benefit of the Owners of the Series 2012 Bonds to secure the payment of the City Payments, all Available Tidelands Oil Revenue. The Available Tidelands Oil Revenue also provides one of the largest sources of revenue deposited to the Tideland Operating Fund. Available Tidelands Oil Revenue consists of certain oil revenues collected from the operation of the Wilmington Oil Field.

Prior to their transfer to the Tideland Operating Fund, Available Tidelands Oil Revenue is deposited to the Tideland Oil Revenue Fund. The Tideland Oil Revenue Fund is established and maintained by the City Treasurer pursuant to Section 1709 of the City Charter. In addition to the Available Tidelands Oil Revenue, certain other amounts are deposited to the credit of the Tideland Oil Revenue Fund, including proceeds and receipts received from the sale or disposition of oil, gas and other hydrocarbon substances extracted from the Tidelands Area. These other amounts deposited to the Tideland Oil Revenue Fund are not pledged to nor do they secure the payment of the City Payments. *Only the Available Tidelands Oil Revenue is pledged to and secures the payment of the City Payments.*

Prior to November 2010, certain portions of the Available Tidelands Oil Revenue ((a) the rental payments paid to the City pursuant to the THUMS Land Lease, (b) the fees paid to the City pursuant to the THUMS Pipeline License, (c) the West Wilmington Base Oil Revenue, and (d) the Tideland's Special Facilities and Services Charge) were paid to and retained by the Harbor Department in the Harbor Revenue Fund. In November 2010, the voters of the City approved Measure D ("Measure D"), which, among other things, amended the City Charter to clarify that the oil operations in the Tidelands Area are under the jurisdiction and control of the City Council. With the passage of Measure D, all Available Tidelands Oil Revenue will be deposited in the Tideland Oil Revenue Fund and subsequently transferred to the Tideland Operating Fund.

The Wilmington Oil Field

Available Tidelands Oil Revenue consists of revenues received by the City from the operation of the oil facilities in the Wilmington Oil Field. The Wilmington Oil Field was discovered in 1932 and is one of the largest oil fields in North America. The Wilmington Oil Field is comprised of West Wilmington and East Wilmington (Long Beach Unit). The Wilmington Oil Field is the third largest field in the contiguous United States with an ultimate recovery estimated at over three billion barrels of oil.

The field is located on the 13 mile long and 3 mile wide Wilmington Anticline that extends from onshore San Pedro to offshore Seal Beach and is divided vertically by faults creating separate producing entities called Fault Blocks. Oil is produced from five major sand intervals ranging in depths from 2,000 feet to 11,000 feet where over two and one-half billion barrels of oil have been recovered. Oil and gas are recovered through primary production, secondary water flooding, and steam flooding. A total of approximately 6,150 wells have been drilled to date.

Operation of the Wilmington Oil Field is managed by two contractors, Tidelands Oil Production Company ("Tidelands OPC") and THUMS Long Beach Company (both companies are owned by Oxy Long Beach, Inc., a subsidiary of Occidental Petroleum Company). The City administers all City oil operations, contracts, leases and agreements and directs all subsidence control operations through its Long Beach Gas and Oil Department.

West Wilmington.

General/History and Current Operation. From 1911 through 1935, the State granted the City all of the tidelands within its City limits. The City received these properties in trust for the purposes of developing commerce, navigation, fisheries and recreation. In 1938, the California Supreme Court ruled that the development and production of oil from the Tidelands was compatible with the trust.

General Petroleum (now part of Exxon Mobil) is credited with discovering the Wilmington Oil Field in 1936 (which at that time only included West Wilmington). By 1939, the City, through the Harbor Department, let its first 25-year field contract to Long Beach Oil Development Company ("LBOD") to develop its tidelands oil properties.

During the early 1940's, the City and the U.S. Navy (which previously had a base and shipyard located in the Tidelands) noticed the land surface in parts of the Tidelands was sinking. By the late 1940's, the City's petroleum engineers realized that the subsidence was caused by oil production. By 1951, the rate of subsidence had reached 2.4 feet per year. The City initiated a pilot waterflood in part of West Wilmington to replace the fluid withdrawals and arrest subsidence. The pilot not only proved successful in stopping subsidence, but also increased oil production. In the mid-1950's, the federal government succeeded in litigation against the City holding it liable for subsidence within the Long Beach Naval Shipyard and Navy Base. In 1958, the State enacted the Subsidence Control Act enabling the City to force unitization of subsidence prone areas in order to prevent the sinking of the surface.

In the early 1960's, Fault Block II, III, IV and V Units were formed with the City as Segment 1 (tidelands) Unit Operator and Union Pacific Resources Company ("UPRC") as Segment 2 Unit Operator for Fault Block II and III Units and Mobil Oil as Segment 2 Unit Operator for Fault Block IV and V Units. In 1964, LBOD was the successful bidder for a new 25-year Harbor Parcel Field Contract with a bid enabling the City to retain 91% of the net profits. In 1974, the City amended the Harbor Parcel Field Contract to allow LBOD to do contract operations within Segment 2 of the West Wilmington. Mobil Oil also contracted with LBOD for day to day operations but remained Fault Block IV and V Units Segment 2 Unit Operator.

In 1989, Tidelands Oil Production Company ("Tidelands OPC") was awarded an 11-year field contract for operation of parts of West Wilmington with a bid enabling the City to retain 95% of the net profits. Tidelands OPC also contracted with Mobil Oil to conduct day to day operations in Segment 2 of Fault Block Units IV and V. In 1993, UPRC contracted with Tidelands OPC to operate its Segment 2 areas in Fault Block Units II and III and its Fault Block I non-unit area. Tidelands OPC is the current operator of West Wilmington. In 1991, the State enacted legislation authorizing the City, with approval

of the State Lands Commission, to extend the term of Tidelands OPC's field contract to 2025 based on the implementation of a thermal oil recovery project.

In 1991, most of the major oil companies (ARCO, Chevron, Exxon, Mobil, Phillips, Texaco, and others) with working interests in Fault Block Units IV and V quit claimed their interests back to the thousands of mineral rights owners. Most of the new working interest owners reduced their interest to zero with those interests divided among the remaining working interest owners. The City became Unit Operator for Segment 2. In 1994, the Harbor Department purchased UPRC's assets in the Wilmington Field for \$405 million. The purchase included, among other things, 725 acres of surface in both Long Beach and Los Angeles and its oil interests in Fault Blocks I-V.

West Wilmington is a very mature oil field. It produced for approximately 25 years through primary depletion drive along with subsurface compaction. It has produced for another 48 years under water injection with at least 1.05 barrels of water injected for every barrel of fluid produced. For every four barrels of oil produced, approximately 96 barrels of water is produced. Based on current oil extraction technology, as of October 1, 2011, the City estimated that there were approximately 16 million barrels of proved reserves in West Wilmington and that it would take until fiscal year 2035 to extract such reserves.

West Wilmington Base Oil Revenue. Pursuant to several agreements (the "West Wilmington Base Agreements") entered into by the City, acting by and through the Harbor Board, and Tidelands OPC, Tidelands OPC agreed to manage West Wilmington for the City and the City received 100% of certain net profits generated from oil produced in West Wilmington. In January 2010, the City and Tidelands OPC entered into the Agreement for Implementation of an Optimized Waterflood Program for the West Wilmington Oil Field, (the "West Wilmington Optimized Waterflood Agreement"), pursuant to which Tidelands OPC agreed to make certain capital investments in West Wilmington in order to increase oil production, and, as an incentive to Tidelands OPC for undertaking such financial risk, Tidelands OPC would receive, among other things, a portion of the net profits attributable to the increased oil production. Under the West Wilmington Optimized Waterflood Agreement, the City and Tidelands OPC agreed to a level of base oil production (the "West Wilmington Base Production"), and that the City would receive 97% of the net profits (the "West Wilmington Base Oil Revenue") from such West Wilmington Base Production. Since fiscal year 2007, the City (or the Harbor Department) has received between approximately \$10.3 million (fiscal year 2007) to \$48.6 million (fiscal year 2008) per fiscal year of West Wilmington Base Oil Revenue. Prior to the passage of Measure D, the West Wilmington Base Oil Revenues were paid to the Harbor Department. The amount of West Wilmington Base Oil Revenue payable to the City each fiscal year is dependent on the price of oil and the remaining production life of West Wilmington (the end of its production life is currently estimated to occur in 2035).

West Wilmington Incremental Oil Revenue. In addition to setting forth the provisions for the calculation and receipt of West Wilmington Base Oil Revenue, the West Wilmington Optimized Waterflood Agreement, provides that any net profits attributable to oil production that exceed the West Wilmington Base Production is to be divided among Tidelands OPC (49%) and the City (51%) (the "West Wilmington Incremental Oil Revenue"). The City will receive West Wilmington Incremental Oil Revenue for the first time in the fiscal year ending September 30, 2012. The amount of West Wilmington Incremental Oil Revenue payable to the City each fiscal year is dependent on the price of oil and the remaining production life of West Wilmington (the end of its production life is currently estimated to occur in 2035).

Tidelands' Special Facilities and Services Charge. On January 1, 1970, the City began assessing a land rental charge on all lands within the tideland portion of the Harbor District which were occupied by oil operations. As a result of the State's objection to the assessment of such land rental charge, in October

1976, the City and the State, acting by and through the State Lands Commission, entered into an agreement (the "Tideland's Special Facilities and Services Charge Agreement"), pursuant to which, the City and the State agreed, among other things, to allow the City to apply and collect a special facilities and services charge (the "Tideland's Special Facilities and Services Charge") on all oil operations within the tideland portion of the Harbor District, except for those areas occupied by the East Wilmington oil operations. The Tideland's Special Facilities and Services Charge is a square footage charge on all land within the tideland portion of the Harbor District which is occupied by oil operations (except for those located in East Wilmington). The Tideland's Special Facilities and Services Charge is adjusted yearly based on inflationary index based on salary and benefit costs for a representative sampling of those municipal employees providing services to the oil operations. For Fiscal Year 2011, the Tideland's Special Facilities and Services Charge was \$[] per square foot and the City collected approximately \$2,000,000 of Tideland's Special Facilities and Services Charges. For the fiscal year ended September 30, 2010, the Tideland's Special Facilities and Services Charge was \$[] per square foot and the City collected approximately \$2,000,000 of Tideland's Special Facilities and Services Charges.

East Wilmington (Long Beach Unit).

General/History and Current Operation. In 1962, after the City proved it could control subsidence, it placed a referendum before its residents to allow development of East Wilmington, the offshore area of the Tidelands, from four landscaped oil islands under the direction and control of the City. In 1964, the State enacted Chapter 138 authorizing the City to develop the offshore area of the Tidelands as a unit with the City as unit operator. THUMS (Texaco, Humble, Union, Mobil, and Shell) became the initial field contractor with a bid providing 95.5% of the net profits going to the City. Development drilling began in 1965. Initial development occurred from Pier J at the Port while the oil islands were being constructed (Island Grissom-1966 and Islands White, Chaffee, and Freeman-1967). The City required water injection of at least 5% more than the total fluid production from compaction prone reservoirs.

In the early 1980's, the City initiated a successful sub-zone redevelopment program in East Wilmington that added significant production and reserves. However, by the mid-1980's, with the collapse of world oil prices, the City, in agreement with the State, suspended the redevelopment program because of a shortage of funds.

In the early 1990's, ARCO Long Beach, Inc. (the predecessor to Oxy Long Beach, Inc.) and Atlantic Richfield Company (the predecessor to Occidental Petroleum Company) approached the City and the State with a proposal to develop and fund an optimized waterflood program in East Wilmington for a share of the incremental production. In 1991, the State enacted Chapter 941, California Statutes of 1991 ("Chapter 941"), which authorized the City, State, ARCO Long Beach, Inc. and Atlantic Richfield Company to enter into an optimized waterflood program agreement. See "East Wilmington Incremental Oil Revenue" below for more information about the optimized waterflood program agreement entered into for East Wilmington. Since 2000, THUMS Long Beach Company has been the sole field contractor for East Wilmington.

East Wilmington is a mature oil field. For every seven barrels of oil produced, approximately 93 barrels of water is produced. Based on current oil extraction technology, as of October 1, 2011, the City estimated that there were approximately 114 million barrels of proved reserves in East Wilmington and that it would take until fiscal year 2034 to extract such reserves. However, the current oil extraction technologies are costly and sensitive to oil price.

Chapter 138 Revenues. Chapter 138 provided for the formation of East Wilmington as the mechanism for developing the oil reserves beneath the offshore area of the Wilmington Oil Field. The

City was designated as the unit operator, with the City having control over the day-to-day operation (through the City's contractor) of East Wilmington, while the State retained control over budgetary matters. Pursuant to subdivision (e) of Section 4 of Chapter 138, each year the City receives a small portion of the tidelands oil revenue from East Wilmington, which since 1988 has been \$1,000,000 per year. The City will continue to receive the \$1,000,000 until such time as no oil is being produced in East Wilmington.

East Wilmington Incremental Oil Revenue. Pursuant to Chapter 941, the City entered into the Agreement for Implementation of an Optimized Waterflood Program for the Long Beach Unit, dated as of November 5, 1991 (the "East Wilmington Optimized Waterflood Agreement") with the State, acting through the State Lands Commission, Occidental Petroleum Company (as successor to Atlantic Richfield Company) and OXY Long Beach, Inc. ("OXY") (successor to ARCO Long Beach, Inc.), whereby OXY agreed to make certain capital investments in East Wilmington in order to increase oil production, and, as an incentive to OXY for undertaking such financial risk, OXY would receive a portion of the net profits attributable to the increased oil production. Under the East Wilmington Optimized Waterflood Agreement, the City, the State and OXY agreed to a level of base oil production (the "East Wilmington Base Production"), the net profits from which would continue to be distributed between OXY and the State based on the original percentage of net profits agreed to by OXY and the State, and that, after January 1, 2000, the net profits attributable to oil production that exceeded the East Wilmington Base Production would be divided among OXY (49%), the State (42.5%) and the City (8.5%) (the "East Wilmington Incremental Oil Revenue"). Since fiscal year 2007, the City has received between approximately \$9.3 million (fiscal year 2007) to \$30.7 million (fiscal year 2008) per fiscal year of East Wilmington Incremental Oil Revenue. The amount of East Wilmington Incremental Oil Revenue payable to the City each fiscal year is dependent on the price of oil and the remaining production life of East Wilmington (the end of its production life is currently estimated to occur in 2034).

THUMS Land Lease. The City and THUMS Long Beach Company ("THUMS Long Beach"), entered into a Lease, dated January 2, 1997, as amended (the "THUMS Land Lease"), pursuant to which the City leased certain parcels of real property located in the Harbor District to THUMS Long Beach in connection with its oil operations within and adjacent to the Harbor District. Pursuant to the THUMS Land Lease, THUMS Long Beach pays the City rent on a monthly basis for the use of such real estate. The monthly rental payments are set pursuant to the terms of the THUMS Land Lease and are adjusted on a periodic basis based on the consumer price index for the Los Angeles-Anaheim-Riverside area. For Fiscal Year 2011, THUMS Long Beach paid the Harbor Department approximately \$2,000,000 in rent pursuant to the THUMS Land Lease; and for the fiscal year ended September 30, 2010, THUMS Long Beach paid the Harbor Department approximately \$2,000,000 in rent pursuant to the THUMS Land Lease. As a result of the passage of Measure D, beginning in the fiscal year ending September 30, 2012, the rent paid by THUMS Long Beach under the THUMS Land Lease will be paid to the City for deposit in the Tideland Oil Revenue Fund. The THUMS Land Lease has a termination date of March 31, 2025, unless the lease is terminated earlier pursuant to its terms.

THUMS Pipeline License. The City and THUMS Long Beach, entered into a Pipeline License, with an effective date of February 11, 2005 (the "THUMS Pipeline License"), pursuant to which the City permitted THUMS Long Beach to lay, maintain, operate, repair and renew the pipelines with necessary attachments, facilities and appurtenances for the transportation of oil, gas, other hydrocarbons, and water, and the right of ingress and egress to and from the same over City-owned property in the Harbor District. Pursuant to the THUMS Pipeline License, THUMS Long Beach pays the City an annual fee. The annual fee is set pursuant to the terms of the THUMS Pipeline License and is adjusted on a periodic basis based on the pricing provisions set forth in Port of Long Beach Tariff No. 4. THUMS Long Beach has approximately 25 miles of pipeline throughout the City, mostly confined to the Harbor District areas (not including smaller piping on the land lease sites) to move gas and oil for sales, and water to different sites

for water injection purposes. For Fiscal Year 2011, THUMS Long Beach paid the Harbor Department approximately \$200,000 in fees pursuant to the THUMS Pipeline License; and for the fiscal year ended September 30, 2010, THUMS Long Beach paid the Harbor Department approximately \$200,000 in fees pursuant to the THUMS Pipeline License. As a result of the passage of Measure D, beginning in the fiscal year ending September 30, 2012, the fees paid by THUMS Long Beach under the THUMS Pipeline License will be paid to the City for deposit in the Tideland Oil Revenue Fund. The THUMS Pipeline License may be terminated by either the City or THUMS Long Beach at any time pursuant to the terms of the THUMS Pipeline License.

Markets and Pricing of Wilmington Field Oil

The amount of West Wilmington Base Oil Revenue, West Wilmington Incremental Oil Revenue and East Wilmington Incremental Oil Revenue collected by the City each fiscal year is mostly dependent upon the amount of oil produced in West Wilmington and East Wilmington, respectively, and the prices at which such oil is sold. Most of the oil produced in the Wilmington Oil Field is sold to local refineries and at prices based upon the benchmark price of Midway Sunset with an API gravity adjustment. The benchmark price of Midway Sunset is generally less than the benchmark price of West Texas Intermediate (the price of oil most widely cited in the United States); although, for the year ended December 31, 2011, the average price for Midway Sunset (\$96.38 per barrel) was slightly greater than the average price for West Texas Intermediate (\$92.94) per barrel. The following table sets forth the average price of Midway Sunset and West Texas Intermediate (shown for comparison purposes only) for the fiscal years ended September 30, 2007 through 2011.

**TABLE 4
AVERAGE OIL PRICES
Midway Sunset and West Texas Intermediate
(Dollars per barrel)**

Fiscal Year Ended September 30	Midway Sunset	West Texas Intermediate
2007	\$55.17	\$ 64.31
2008	95.74	106.89
2009	48.94	57.19
2010	70.99	77.25
2011	96.38	92.94

Source: City of Long Beach

Oil produced in the Wilmington Oil Fields also is priced with a price adjustment based on the oil’s API gravity, which is a measurement of how heavy or light a petroleum liquid is compared to water. The higher an oil’s API gravity the “lighter” the oil is and the less the adjustment. Oil produced in the Wilmington Oil Fields generally has an API gravity of approximately 17 degrees (West Texas Intermediate crude has a API gravity of approximately 38-40 degrees).

Available Tidelands Oil Revenues, Oil Reserves and Production

The following table sets forth historical Available Tidelands Oil Revenues and information with respect to oil prices and oil production in the Wilmington Oil Field for the fiscal years ended September 30, 2007 through September 30, 2011 and projected Available Tidelands Oil Revenues and information with respect to oil prices and oil production in the Wilmington Oil Field for the fiscal years ending September 30, 2012 through September 30, 2016.

**TABLE 5
HISTORICAL AND PROJECTED AVAILABLE TIDELANDS OIL REVENUES
AND OIL PRICES AND OIL PRODUCTION
FISCAL YEARS ENDED SEPTEMBER 30, 2007-2016**

	Historical					Projected ¹				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Available Tidelands Oil Revenue										
East Wilmington (Long Beach Unit) Chapter 138	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
East Wilmington Incremental Oil Revenue	9,278,000	29,724,253	13,692,953	17,876,949	25,000,000	13,500,000	13,362,982	13,236,288	13,085,884	13,012,434
THUMS Land Lease ²	-	-	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
THUMS Pipeline License ²	-	-	-	-	-	200,000	200,000	200,000	200,000	200,000
Total	<u>10,278,000</u>	<u>30,724,253</u>	<u>14,692,953</u>	<u>18,876,949</u>	<u>26,000,000</u>	<u>16,700,000</u>	<u>16,562,982</u>	<u>16,436,288</u>	<u>16,285,884</u>	<u>16,212,434</u>
West Wilmington										
West Wilmington Base Oil Revenue ^{2,3}	-	-	-	-	29,464,000	13,411,962	12,741,364	12,104,296	11,499,081	10,924,127
West Wilmington Incremental Oil Revenue	-	-	-	-	-	1,556,056	2,212,647	2,335,597	2,118,702	1,865,019
Tideland's Special Facilities and Service Charge ²	-	-	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,464,000</u>	<u>16,968,018</u>	<u>16,954,011</u>	<u>16,439,893</u>	<u>15,617,783</u>	<u>14,789,146</u>
Abandonment Fund	-	-	-	-	(2,300,000)	(2,514,743)	(2,389,006)	(2,269,555)	(2,156,078)	(2,048,274)
Available Tidelands Oil Revenue	<u>10,278,000</u>	<u>30,724,253</u>	<u>14,692,953</u>	<u>18,876,949</u>	<u>53,164,000</u>	<u>31,153,275</u>	<u>31,127,987</u>	<u>30,606,626</u>	<u>29,747,589</u>	<u>28,953,306</u>
Harbor Revenue Fund ^{2,4}										
West Wilmington Base Oil Revenue ^{2,3}	10,348,310	48,600,519	14,456,947	30,839,715	3,400,000	-	-	-	-	-
THUMS Land Lease ^{2,5}	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	-	-	-	-	-
THUMS Pipeline License ^{2,5}	200,000	200,000	200,000	200,000	200,000	-	-	-	-	-
Tideland's Special Facilities and Service Charge ^{2,5}	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>14,548,310</u>	<u>52,800,519</u>	<u>18,656,947</u>	<u>35,039,715</u>	<u>7,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Oil Prices and Oil Production										
Average Price per Barrel ^{6,7}	\$55.17	\$95.74	\$48.94	\$70.94	\$96.38	\$55.00 ⁴	\$55.00 ⁴	\$55.00 ⁴	\$55.00 ⁴	\$55.00 ⁴

Oil Production (barrels/fiscal year)										
East Wilmington (Long Beach Unit) ⁸	[]	[]	[]	[]	[]	8,482,413	8,442,534	8,356,846	8,277,615	8,183,557
West Wilmington ⁹	998,769	883,073	731,983	743,045	805,893	1,280,818	1,504,773	1,521,185	1,405,817	1,277,587
Active Wells										
East Wilmington (Long Beach Unit) ⁷	[]	[]	[]	[]	[]	1,203	1,237	1,262	1,271	1,289
West Wilmington ⁸	[]	[]	[]	[]	[]	298	342	355	352	345

¹ Actual results may vary from projected results and such variance could be material. See "RISK FACTORS—Forward-Looking Statements.

² Prior to the passage of Measure D, the rental payments paid to the City pursuant to the THUMS Land Lease, the fees paid to the City pursuant to the THUMS Pipeline License, the West Wilmington Base Oil Revenue, and the Tideland's Special Facilities and Services Charge were transferred to the Harbor Revenue Fund and were used for the purposes of the Harbor Department. With the passage of Measure D all rental payments paid to the City pursuant to the THUMS Land Lease, fees paid to the City pursuant to the THUMS Pipeline License, West Wilmington Base Oil Revenues, and Tideland's Special Facilities and Services Charges will be transferred to the Tideland Oil Revenue Fund and will be used for any Tideland's purposes, including transferring such moneys to the Tideland Operating Fund for subsequent transfer to the City Aquarium Account and the payment of debt service on the Series 2012 Bonds.

³ Prior to the effective date of the West Wilmington Optimized Waterflood Agreement, the Harbor Department received 100% of certain net profits generated from oil produced in West Wilmington. After the effective date of the West Wilmington Optimized Waterflood Agreement, the City will receive 97% of the net profits generated from the West Wilmington Base Production.

⁴ Harbor Revenue Fund numbers are shown for informational purposes only in order to provide historical information with respect to oil revenues that prior to Measure D were deposited to the Harbor Revenue Fund. With the passage of Measure D, these oil revenues will now be deposited to the Tideland Oil Revenue Fund. The Harbor Revenue Fund is not pledged to secure the payment of the Series 2012 Bonds.

⁵ Fiscal year 2007-2011 amounts are estimated by the City.

⁶ Most of the oil produced in the Wilmington Oil Field is sold at prices based upon the benchmark of Midway Sunset with an average API gravity adjustment of 17 degrees.

⁷ Notwithstanding that the average price of oil per barrel paid for oil produced in the Wilmington Oil Field was \$73.43 between fiscal years 2007 and 2011, for planning purposes, the City has used a conservative estimate of the average price of oil per barrel for oil produced in the Wilmington Oil Field during fiscal years 2012 through 2016.

⁸ Based on current oil extraction technology, as of October 1, 2011, the City estimated that there were approximately 114 million barrels of proved reserves in East Wilmington and that it would take until fiscal year 2034 to extract such reserves.

⁹ Based on current oil extraction technology, as of October 1, 2011, the City estimated that there were approximately 16 million barrels of proved reserves in West Wilmington and that it would take until fiscal year 2035 to extract such reserves.

Source: City of Long Beach

THE PORT OF LONG BEACH

One of the largest sources of revenue payable into the Tideland Operating Fund and available to make the City Payments (which are used to pay debt service on the Series 2012 Bonds) is derived from the 5% Transfer from the Harbor Department. The 5% Transfer was equal to approximately \$17.3 million for Fiscal Year 2011. The 5% Transfer is derived from the gross operating revenues of the Harbor Department as shown on the most recent available independently audited financial statements of the Harbor Department.

General

The Port is a harbor complex located two miles from open sea in an 11.9-square mile area (the "Harbor District") within the City of Long Beach (the "City") and on 359 acres of the City of Los Angeles adjacent to the City. The Port is held in trust by the City pursuant to certain tideland and submerged land grants from the State of California (the "State") to the City and is operated and managed by the Harbor Department of the City of Long Beach (the "Harbor Department"). The Harbor Department was created in 1931 by an amendment to the City Charter of the City of Long Beach (the "City Charter"). Pursuant to the City Charter, exclusive control and management of the Harbor Department has been conferred on the Board of Harbor Commissioners of the City (the "Harbor Board").

Port Facilities

General. 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 60 deep-water cargo berths. Container terminals occupy 1,356 acres, auto terminals occupy 182 acres, breakbulk and general cargo terminals occupy 108 acres, dry bulk terminals occupy 100 acres and petroleum and liquid bulk terminals occupy 52 acres. The Port has six container terminals with 66 cranes (14 of which are owned by the Harbor Department and 52 of which are owned by tenants of the Port) and three container freight stations. Five container terminals are served by on-dock railyards. Additional cargo handling facilities include five transit sheds and 12 warehouses. Transit sheds are of concrete and steel construction. Wharves are constructed of reinforced concrete supported by reinforced concrete pilings or sheet pile bulkhead. Wharf aprons at all transit shed berths average 50 feet in width. Rail tracks serve all major marine facilities. The Harbor Department owns a total of 102 miles of rail trackage. Current Harbor Department plans include enlarging and consolidating several of the container terminals due to the demand for larger facilities. See "—Capital Development Program" for information on the expansion of the Port.

The Port is protected by a federally financed breakwater over nine miles in length. Water depths throughout the Port range from 76 feet at the entrance channel to 45 feet in the inner harbor and 55 feet in part of the middle harbor. Depth alongside wharves ranges from 32 to 50 feet, except that the bulk petroleum terminal provides berthing depths of over 70 feet. This facility, at maximum depth, is capable of handling supertankers of up to 265,000 dead weight tons. See "—Capital Development Program—2012-21 Capital Plan—Long Beach Harbor Dredging."

Shipments to and from the Port can be received or dispatched by water, rail or truck. Two major rail lines, Union Pacific Railroad Company ("Union Pacific") and BNSF Railway Company (formerly known as The Burlington Northern and Santa Fe Railway Company) ("BNSF" and together with the Union Pacific, the "Railroads") serve the Port. These rail carriers have connections with the Port's rail system and offer reciprocal switching arrangements. Rail service to and from the Port increased after the opening in 2002 of the Alameda Corridor. The Alameda Corridor consists of a 20-mile long, multiple-track rail system that links the railyards and tracks at the Port and the Port of Los Angeles with the Railroads' transcontinental mainlines originating near downtown Los Angeles, California. The Alameda

Corridor consolidated 90 miles of pre-existing rail lines on four separate routes, into an integrated system that is separated from non-rail traffic along Alameda Street. The consolidated rail route eliminated more than 200 at-grade points of conflict between east-west streets and highways and north-south railroad traffic. The Alameda Corridor Transportation Authority (“ACTA”) was responsible for administering the overall design and construction of the Alameda Corridor (with the exception of specific work that was completed by the Railroads, certain utility owners and local agencies), and ACTA is now responsible for the operation of the Alameda Corridor, including all activities related thereto.

In addition, the Port is located at the end of Interstate 710 (the “Long Beach Freeway”), which provides access to the interstate highway system. Major highway carriers serve the Port and provide transportation to all parts of the United States. Some of the containers leaving and entering the Port are also handled at the Intermodal Container Transfer Facility (the “ICTF”), a specialized rail yard located four miles from the Port for the transfer of containers between trucks and railcars, and to the switchyards of BNSF and Union Pacific. Truck travel to such switchyards takes approximately 30 to 60 minutes. The ICTF was financed and constructed by Southern Pacific Transportation Company and the Intermodal Container Transfer Facility Joint Powers Authority, a joint powers authority organized by the Port and the Port of Los Angeles (collectively, the “San Pedro Bay Ports”). The ICTF is operated by Union Pacific (successor to the Southern Pacific Transportation Company).

Container Terminals. Containerized cargo represents the largest source of revenue for the Harbor Department. For the 12 months ended September 30, 2011, containerized cargo accounted for approximately 81.0% of the Harbor Department’s total operating revenue, primarily through the collection of wharfage. See “—Property Agreements” and “—Port Tariffs.” Containerization service at the Port began in 1962 when Sea-Land Service, Inc. opened a container freight station at the Port. There are currently six major container facilities (Pier A, Pier C, Pier F, Pier G, Pier J and Pier T) at the Port. The Harbor Department is currently constructing a seventh container facility, known as the Middle Harbor Project, that will be composed of the existing Piers D and E. See “—Capital Development Program—2012-21 Capital Plan” for information on the construction and improvement of the container terminals at the Port.

Dry Bulk. For the 12 months ending September 30, 2011, dry bulk accounted for approximately 6.8% of the Harbor Department’s total operating revenue, primarily through the collection of wharfage. The major dry bulk facilities at the Port handle petroleum coke, cement and salt.

General Cargo. For the 12 months ending September 30, 2011, general cargo accounted for approximately 6.9% of the Harbor Department’s total operating revenue, primarily through the collection of wharfage and facilities rentals. The major general cargo facilities at the Port handle vehicles, forest products and steel.

Petroleum/Liquid Bulk. For the 12 months ending September 30, 2011, petroleum/liquid bulk accounted for approximately 5.0% of the Harbor Department’s total operating revenue, primarily through the collection of wharfage per barrel.

Marine Commerce and Cargoes

The Harbor Department derives the majority of its revenue from containerized cargo operations. The Port handles “local cargo” that “naturally” moves through Southern California (e.g. cargo consumed within the locally defined region) and “discretionary cargo” (cargo that is not consumed within the locally defined region but moves through Southern California for other reasons (e.g. inland distribution capability)). Currently, approximately [50]% of the cargo handled by the Port is discretionary cargo. Most discretionary cargo is moved via rail to inland destinations both within and outside California. The

amount of discretionary cargo handled by the Port varies on a month-to month basis and on a year-to-year basis because ocean carriers and cargo owners can choose between various ports to get their cargoes to inland destinations. See “RISK FACTORS—Port Competition”.

Tonnage. The Harbor Department tracks the volume of marine commerce by Metric Revenue Tons (“MRTs”) at municipal berths and at private berths. Municipal cargo is cargo that enters the Port through City-owned berths. Private cargo is cargo that enters the Port through privately owned berths. Private berths were established prior to the formation of the Harbor Department and remain independent. Private facilities have their own agreements with customers who load and unload cargo through those berths and facilities. No Harbor Department tariffs are assessed at the private berths and facilities. The percentage of volume of cargo at private berths has diminished over recent years and now represents less than 1% of total tonnage as of September 30, 2011.

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Marine commerce passing through the Port by MRTs during the last five fiscal years is summarized in the following table:

TABLE 6
Harbor Department of the City of Long Beach
Revenue Tonnage Summary
(Fiscal Year Ended September 30)
(MRTs)¹

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Municipal Berths					
Inbound Cargo					
Foreign	116,834,397	103,777,099	82,621,355	91,334,962	96,907,924
Coastwise/InterCoastal	<u>16,088,293</u>	<u>14,785,341</u>	<u>17,214,108</u>	<u>16,733,433</u>	<u>16,054,362</u>
Total Inbound Cargo	<u>132,922,690</u>	<u>118,562,440</u>	<u>99,835,463</u>	<u>108,068,395</u>	<u>112,962,286</u>
Outbound Cargo					
Foreign	32,233,158	37,529,273	29,557,368	33,131,283	36,209,860
Coastwise/InterCoastal	5,059,516	4,075,297	3,519,427	3,535,755	3,507,497
Bunkers	<u>2,459,654</u>	<u>2,088,496</u>	<u>2,109,610</u>	<u>2,412,405</u>	<u>1,545,586</u>
Total Outbound Cargo	<u>39,752,328</u>	<u>43,693,066</u>	<u>35,186,405</u>	<u>39,079,443</u>	<u>41,262,943</u>
Total Municipal Cargo	<u>172,675,018</u>	<u>162,255,506</u>	<u>135,021,868</u>	<u>147,147,838</u>	<u>154,225,229</u>
Private Berths					
Inbound	361,503	654,434	233,208	209,143	191,568
Outbound	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Private Cargo	<u>361,503</u>	<u>654,434</u>	<u>233,208</u>	<u>209,143</u>	<u>191,568</u>
Grand Total	<u>173,036,521</u>	<u>162,909,940</u>	<u>135,255,076</u>	<u>147,356,981</u>	<u>154,416,797</u>
Inbound/Outbound Summary					
Total Inbound Cargo	133,284,193	119,216,874	100,068,671	108,068,395	112,962,286
Total Outbound Cargo	39,752,328	43,693,066	35,186,405	39,079,443	41,262,943
Container Count in TEUs ²	7,361,881	6,736,756	5,282,385	5,936,066	6,298,840

¹ Metric Revenue Tons is equal to either 1,000 kilograms or one cubic meter.

² A TEU represents a twenty-foot equivalent unit.

Source: Harbor Department

As a direct result of the worldwide recession that began in fiscal year 2007, the decrease in consumer demand for imported goods and the tightening credit markets, cargo volumes as measured by MRTs and by TEUs decreased by approximately 17.0% and 21.6%, respectively, in fiscal year 2009 as compared to fiscal year 2008. As consumer demand for imported goods increased and credit markets loosened, cargo volumes as measured by MRTs and by TEUs increased by approximately 8.9% and 12.4%, respectively, in fiscal year 2010 as compared to fiscal year 2009, and increased again in fiscal year 2011, approximately 4.8% and 6.1%, respectively, as compared to fiscal year 2010. See “— Summary of Historical Operating Results” for a discussion of the Harbor Department’s fiscal year 2011 financial results.

Cargo Summary. The Harbor Department’s leading inbound cargoes include petroleum bulk, electric machinery, plastics products, machinery (other than electric machinery), furniture, clothing,

rubber products, hardware, various foods and chemicals. Principal outbound shipments are petroleum coke, petroleum bulk, wastepaper, chemicals, various food products, electric machinery, plastics products, machinery (other than electric machinery), feeds, rubber, sulfur and scrap metals.

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 7
Harbor Department of the City of Long Beach
Cargo Summary
(Fiscal Years Ended September 30, 2010 and 2011)

	Fiscal Year 2010				Fiscal Year 2011			
	Metric Revenue Tons (000's)	Percent of Total Tons	Revenue (000's) ¹	Percent of Shipping Revenue ¹	Metric Revenue Tons (000's)	Percent of Total Tons	Revenue (000's) ¹	Percent of Shipping Revenue ¹
Containerized	107,309	73%	\$246,519	81%	113,104	73%	\$267,470	81%
Petroleum/Liquid Bulk	32,185	22	17,219	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>20,874</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>\$303,996</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 – Harbor Department

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Trading Countries. The top five trading countries with the Harbor Department for the past five fiscal years, ranked based upon fiscal year 2011 results, are summarized in the following table:

TABLE 8
Harbor Department of the City of Long Beach
Five Leading Trading Countries
(Fiscal Year Ended September 30)
(Ranked on Fiscal Year 2011 Results)
(000's MRTs)

Countries	2007	2008	2009	2010	2011
Inbound					
China	60,517	51,709	42,502	44,920	49,408
South Korea	5,361	4,504	3,489	6,256	4,370
Japan	4,794	3,809	2,225	2,910	3,510
Hong Kong	5,303	4,773	3,227	3,341	3,498
Vietnam	[]	[]	[]	[]	3,085
Outbound					
China	9,771	9,165	10,615	11,130	11,909
Japan	4,874	5,779	3,936	5,100	5,536
Taiwan	1,958	3,164	1,730	2,176	3,195
South Korea	3,476	3,898	3,003	3,875	2,997
Hong Kong	2,448	3,013	1,694	1,957	1,950

Source: Harbor Department

In addition to the trading countries listed above, the other major inbound trading countries include Ecuador, Iraq, Canada, Panama and Taiwan. The other major outbound trading countries include Australia, Indonesia, Singapore, Vietnam and Mexico.

Container Forecast. Approximately 81% of the Harbor Department's operating revenues for fiscal year 2011 were generated from containerized cargoes. In July 2009, The Tioga Group, Inc. and IHS Global Insight (together the "Consultants") authored the "San Pedro Bay Container Forecast Update" (the "2009 Container Forecast"). The Harbor Department and the Port of Los Angeles contracted with the Consultants to update the Consultant's December 2007 forecast (the "2007 Container Forecast") of the volume of TEUs to be handled by the San Pedro Bay Ports through 2030.

The Consultants considered various factors when developing the 2009 Container Forecast including, but not limited to, population, monetary policy, U.S. and world inflation, food and fuel prices, federal spending and deficits, wages, productivity, unemployment, savings and spending rates, and diversion of container cargoes to other East and West Coast ports.

The 2009 Container Forecast was based upon a number of conclusions and assumptions, including, but not limited to, the following assumptions: after the economy recovers from the current recession, it will suffer no major mishaps between 2010 and 2030; there will be no significant changes in the U.S. tax structure; the value of the U.S. dollar will on average depreciate between 2010 and 2030; the Consumer Price Index inflation rate will spike in the early years of the forecast because of rebounding oil prices, average 2.6% per year, and eventually will settle down to approximately 2.0% per year; the price of oil will be above \$75 per barrel during the forecast period; wholesale farm prices will increase 0.3% per year; unemployment in the U.S. will average 5.9% during the forecast period; the rate of growth of

discretionary spending by U.S. consumers will average 2.5% per year; 3% of container traffic will be diverted through the Panama Canal once the widening improvements to the Canal are completed (see “RISK FACTORS—Port Competition”); and provided the San Pedro Ports do not suffer any major congestion problems, diversions to other West Coast ports will be minimal.

The following table shows the forecasted inbound loads, outbound loads and empties in the 2009 Container Forecast. No assurances can be given that the forecasted volume of TEUs will be achieved or that the assumptions on which the 2009 Container Forecast is based will materialize. Inevitably, some assumptions used to develop the 2009 Container Forecast will not be realized and unanticipated events and circumstances will occur. Therefore, actual results will vary from those set forth in the table below and the variations may be material. See “RISK FACTORS—Forward-Looking Statements.”

TABLE 9
Container Forecast for the San Pedro Bay Ports
2010-2030
TEUs (000's)^{1,2}

	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>	<u>2030</u>	Compounded Annual Growth Rate 2010-2030
Inbound Loads	6,620	8,780	11,333	14,417	18,039	5.14%
Outbound Loads	3,071	3,768	4,343	4,897	5,415	2.88
Empties	<u>3,123</u>	<u>4,410</u>	<u>6,151</u>	<u>8,377</u>	<u>11,109</u>	6.55
Total TEUs	<u>12,814</u>	<u>16,959</u>	<u>21,827</u>	<u>27,691</u>	<u>34,563</u>	5.09

¹ Over the last five calendar years the Port handled approximately [45]% of the average total TEUs that were handled by both of the San Pedro Bay Ports.

² The San Pedro Bay Ports handled approximately 14 million TEUs in calendar year 2011.

Source: San Pedro Bay Container Forecast Update, July 2009, The Tioga Group, Inc. and IHS Global Insight.

Property Agreements

The Harbor Department operates the Port as a landlord through various property agreements entered into with the tenants of the Port. The property agreements, which convey the right to use, rent or lease Port assets, include leases, preferential assignment agreements, revocable permits, area assignments and pipeline licenses. Pursuant to the property agreements, the tenants of the Port pay the Harbor Department tariff charges (including, but not limited to, wharfage, dockage, storage and demurrage) and other fees, including crane and land rentals. See “—Port Tariffs” below.

Property agreements for industrial and commercial use constitute one of the Harbor Department’s largest and most stable sources of income. The City, acting by and through the Harbor Board, has property agreements with approximately 280 private companies and approximately 40 public agencies. Over the last five fiscal years, property agreements covering waterfront property and facilities have generated in excess of 90% of the Harbor Department’s operating revenues. Under these property agreements, the Harbor Board assigns or leases property and facilities to terminal operators for terms of up to 30 years. The property agreements with the Port’s top ten revenue producers have expiration dates ranging from 2014 through 2028, with eight of these agreements expiring between 2022 and 2028.

Most of the property agreements entered into by the cargo terminal operators are in the form of preferential assignment agreements. Under the preferential assignment agreements, the terminal operators primarily pay the Harbor Department tariff charges, mainly wharfage (the charge assessed when

cargo crosses the wharf), dockage (the charge assessed for docking a vessel at a berth), storage, and demurrage (charges related to the duration that cargo may be stored at the terminal), for the use of the Port facilities. Most of the preferential assignment agreements with the cargo terminal operators contain a Guaranteed Annual Minimum (“GAM”) payment. For fiscal year 2011, the long-term preferential assignment agreements with the Port’s major tenants contained GAM payments of approximately \$238 million; and for fiscal year 2012, the long-term preferential assignment agreements with the Port’s major tenants contain GAM payments of approximately \$234 million. The preferential assignment agreements require that the compensation payable to the Harbor Department be renegotiated every five years, and if the parties cannot agree, compensation is to be set through arbitration.

Under most of the current property agreements, the terminal operators are responsible for the operation and maintenance of the property and facilities, but the Harbor Department retains responsibility for maintaining the structural integrity of the piers, wharves, bulkheads, retaining walls and fender systems. The Harbor Department expects that future property agreements also will make the terminal operators responsible for maintaining the structural integrity of the piers, wharves, bulkheads, retaining walls and fender systems. Under the property agreements, Port tenants are required to comply with all applicable environmental standards set by federal, state or local laws. Port tenants are liable for all costs, expenses, losses, damages, claims, cleanup costs and penalties arising from such tenant’s failure to comply with applicable environmental standards. Additionally, Port tenants are required to carry commercial general liability insurance, including bodily injury and property damage liability on the leased premises and to name the City, the Harbor Board and the officers and employees of the Harbor Department as additional insureds. The property agreements also provide that if the property or facilities covered thereby are damaged by acts of God such as fire, flood or earthquake, or if work stoppages or strikes prevent operation of the property or facilities, compensation payable to the Harbor Department will be reduced in proportion to the interference with operations. See “—Stevedoring and Cargo Handling” below. See also “RISK FACTORS—[Security at the Port]” and “—Seismic Risks.”

During the last five fiscal years, revenues from non-waterfront properties and miscellaneous sources have accounted for approximately 6.4-4.7% of the Harbor Department’s operating revenues. These agreements generally provide for flat rentals or require payment of a percentage of gross revenues, subject to a fixed minimum rental.

Port Tariffs

The Harbor Board sets tariff charges for wharfage, dockage, pilotage, land usage, storage and demurrage applicable to all ships and cargo at municipal berths and wharves or otherwise using City-owned property in the Harbor District. The current tariffs are published in the Port of Long Beach Tariff No. 4 (the “Port Tariff”). Under the terms of the various property agreements, the terminal operators, as permittees or lessees are responsible for collecting tariff charges and for remitting to the Harbor Department, all or any portion of such tariff charges required to be paid to the Harbor Department. The Harbor Department charges wharfage on a per container load of freight basis for container cargoes and a commodity rate per ton of cargo basis for bulk and break-bulk cargoes. Dockage is also charged on a per vessel, per day basis. See “—Property Agreements” above.

The Harbor Department and all other California public ports control and determine their own individual tariff structures. However, the ports cooperate in setting tariff rates through membership in the California Association of Port Authorities (“CAPA”). One of CAPA’s goals is to establish and maintain reasonable and, as far as practicable, uniform terminal rates, charges, classifications, rules and regulations for the handling and movement of domestic and foreign waterborne cargo. These tariff provisions cover assignment of marine terminal facilities, as well as rates and provisions for vessel dockage, wharfage, wharf storage, wharf demurrage and other miscellaneous terminal charges necessary for the orderly

movement of cargo. The goal is to permit California ports to obtain an adequate return on investment in order to facilitate the necessary maintenance, expansion and improvement of marine facilities. CAPA enjoys an exemption from federal antitrust laws which permits this cooperative rate setting. See “RISK FACTORS—Factors Affecting Demand for Port Facilities.”

The Harbor Department may increase tariff charges without amending the property agreements or receiving the consent of the tenants of the Port. See “RISK FACTORS—Factors Affecting Demand for Port Facilities” and “—Port Competition.”

Operating Performance

Sources of Operating Revenues. The Harbor Department derives income from tariffs assessed on shipping activity (primarily wharfage and dockage) and from leases, rentals and utility services. The following table summarizes the sources of the Harbor Department’s operating revenues for the past five fiscal years.

TABLE 10
Harbor Department of the City of Long Beach
Sources of Operating Revenues
(Fiscal Year Ended September 30)
(000’s)

	2007	2008	2009	2010	2011 ¹
Operating Revenues					
Berths & Special Facilities					
Wharfage	\$298,416	\$289,381	\$243,418	\$256,904	\$279,734
Dockage	16,244	14,499	12,605	11,280	12,003
Bunkers	2,335	2,012	2,159	2,334	1,547
Special Facilities Rentals	21,710	21,589	20,317	20,609	22,814
Crane Rentals	12,789	12,789	12,789	12,789	12,789
Other	<u>398</u>	<u>255</u>	<u>164</u>	<u>79</u>	<u>100</u>
<i>Total Berths & Special Facilities</i>	351,891	340,525	291,452	303,996	328,987
Rental Properties	14,633	14,496	15,957	14,279	14,138
Utilities/Miscellaneous	<u>4,308</u>	<u>4,324</u>	<u>3,942</u>	<u>3,365</u>	<u>2,265</u>
Total Operating Revenues	<u>\$370,832</u>	<u>\$359,344</u>	<u>\$311,352</u>	<u>\$321,639</u>	<u>\$345,390</u>

¹ See “—Summary of Historical Operating Results” for a discussion of the Harbor Department’s fiscal year 2011 financial results.

Source: Harbor Department

Wharfage is the Harbor Department’s primary source of operating revenue, generating approximately 81% of the Harbor Department’s operating revenues. The following table compares revenues generated from wharfage charges at municipal berths to tonnage during the last five fiscal years:

TABLE 11
Harbor Department of the City of Long Beach
Wharfage Revenues
(Fiscal Year Ended September 30)

	2007	2008	2009	2010	2011
Total Metric Revenue Tons (000's) (Municipal Only)	172,675	162,256	135,022	147,148	154,225
Wharfage Revenue (000's)	\$298,416	\$289,381	\$243,418	\$256,904	\$279,734
Average Wharfage Revenues Per Ton	\$1.73	\$1.78	\$1.80	\$1.75	\$1.81

Source: Harbor Department

Leading Revenue Producers. The following companies represent the Harbor Department's twenty-three largest customers in terms of revenues, listed alphabetically. These customers accounted for approximately 96% of the Harbor Department's operating revenue in fiscal year 2011. The largest single customer accounted for approximately 22% of the Harbor Department's operating revenues in fiscal year 2011.

TABLE 12
Harbor Department of the City of Long Beach
Leading Revenue Producers
Fiscal Year 2011

BP West Coast Products LLC	Mitsubishi Cement Corporation
California United Terminals ¹	Oxbow Carbon & Minerals, LLC
CEMEX Pacific Coast Cement Corporation	SA Recycling LLC
Chemoil Corp.	Energia/Sea Launch Company, LLC
Cooper/T. Smith Stevedoring Co., Inc.	Pacific Container Terminal/Pacific Maritime Services, Inc.
Crescent Terminals, Inc.	SSA Marine, Inc.
International Transportation Service, Inc.	Tesoro Refining and Marketing Company
Jacobsen Pilot Service, Inc.	THUMS Long Beach Company
Koch Carbon, LLC	Total Terminals International, LLC
Long Beach Container Terminal, Inc.	Toyota Motor Sales, USA, Inc.
Mercedes Benz U.S.A. LLC	Weyerhaeuser Company
Metropolitan Stevedore Company	

¹ California United Terminals ceased operating at the Port in December 2010.
Source: Harbor Department

Stevedoring and Cargo Handling

Arranging for stevedoring and cargo handling services is the responsibility of each marine terminal operator. Stevedoring and cargo handling at the Port are provided pursuant to a contract between the Pacific Maritime Association (the "Association") and the International Longshore and Warehouse Union ("ILWU"). The Association represents most of the steamship lines, marine terminal operators, car loading bureaus and stevedore companies on the Pacific Coast. The major providers of stevedoring and terminal services are Cooper/T. Smith Stevedoring, Metropolitan Stevedore Company (doing business as Metro Ports), Stevedoring Services of America, and Ports America Inc. The current contract between the Association and ILWU expires on June 30, 2014. There has been no prolonged work stoppage since October 2002. In October 2002, after the Association and the ILWU failed to agree upon a new contract,

the shipping lines and terminal operators instituted a lock-out of the stevedoring companies, thereby shutting down all West Coast ports, including the Port, for 10 days. Work resumed when President Bush ordered the ports to re-open pursuant to the Taft-Hartley Act. Prior to the 2002 lock-out, there had not been a prolonged work stoppage since 1971. Other than the work stoppages in 1971 and 2002, there has generally been a history of excellent working relationships between the ILWU and the employer group represented by the Association. Prolonged work slowdowns or stoppages, if they occur, could adversely affect Revenues. The employees of the Harbor Department do not work for the tenants of the Port or the stevedoring companies.

Environmental Compliance

General. The Harbor Department is required to comply with the provisions of a number of federal and state laws designed to protect or enhance the environment. The two basic laws are the Federal National Environmental Policy Act (“NEPA”) and the State of California Environmental Quality Act (“CEQA”). Other federal environmental laws applicable to the Port include the Resources Conservation and Recovery Act, which governs the cleanup, treatment and disposal of hazardous waste; the Clean Air Act, which governs the release of air pollutants; the Toxic Substances Control Act, which governs the handling and disposition of polychlorinated biphenyls (PCBs) and other toxic substances; the Marine Protection, Research and Sanctuary Act, which governs the ocean dumping of dredged materials; the Rivers and Harbors Act, which governs navigable waterways; and the Clean Water Act, which governs discharge of surface waters. Enforcement agencies include the U.S. and California Environmental Protection Agencies and the U.S. Army Corps of Engineers, which rely on consultation and advice from various federal resource agencies.

The Harbor Department is also required to conform to provisions of a number of other state environmental laws, including the Hazardous Waste Control Act, which governs hazardous waste treatment and disposal, and the Porter-Cologne Act, which governs surface and ground water quality. State enforcement agencies include the Department of Toxic Substances Control, the State Water Resources Control Board and the local Regional Water Quality Control Board. The Air Resources Board, and the regional Air Quality Management District administer the federal Clean Air Act.

In conforming to these laws and their implementing regulations, the Harbor Department has instituted a number of compliance programs and procedures. Some of these are ongoing, including the sampling and analysis of harbor sediments to comply with dredging permit requirements; monitoring of water quality at stormwater outfalls; and oversight of the Harbor Department and tenant housekeeping practices.

Hazardous Materials/Waste Management. The Harbor Department administers a number of hazardous materials and waste management programs designed to ensure compliance with applicable federal, State, and local regulations. These programs include facility audits to identify the presence of hazardous materials, including asbestos and lead-based paint; assessment and remediation investigations for the cleanup of soil and groundwater contaminated by the long history of industrial development within the Harbor District; and hazardous material spill response. The Harbor Department has adopted a number of contingency plans, some of which are mandated by law, regarding potential spills of fuel, oil and other hazardous substances for the Port’s marine terminal facilities. The Harbor Department’s agreements with its tenants, require the tenants to take on the responsibility for financing the cost associated with cleaning up spills of fuels, oils and other hazardous substances.

CEQA Document Preparation Protocol. In January 2006, the Harbor Department completed its “CEQA Document Preparation Protocol” (the “CEQA Protocol”). The CEQA Protocol includes, among other elements, (a) the establishment of a documents preparation protocol for the project description and

all key analyses and (b) the establishment of a quality assurance review team, consisting of outside experts in various specialties, that will monitor the process of preparing environmental impact reports (“EIR”) and environmental impact statements (“EIS”) and make technical, regulatory and other recommendations.

On May 13, 2009, the Middle Harbor Redevelopment Project EIS/EIR was the first major terminal redevelopment EIS/EIR, using the CEQA Protocol, to be certified by the Board. Subsequently, the Harbor Board certified the Gerald Desmond Bridge Replacement Project EIR/Environmental Assessment in August 2010. Additionally, in December 2011, the Harbor Department released the Pier S Marine Terminal and Back Channel Improvement Project EIR/EIS and the Total Terminals International Grain Export Terminal Installation Project EIR/EIS for public comment. Several additional environmental documents are currently in preparation using the CEQA Protocol including: the Pier B On-Dock Rail Support Facility EIR, and the Terminal Island Rail Projects EIR. Establishing the CEQA Protocol has helped to ensure consistency and technical accuracy for each of the upcoming documents. In addition, the Harbor Department expects that the CEQA Protocol may reduce the potential for disagreement and challenges from federal, State and local agencies and environmental groups.

Air Pollution Reduction Programs. In 2006, the Harbor Department, together with the Port of Los Angeles, developed the San Pedro Bay Ports Clean Air Action Plan (“CAAP”) with input from the United States Environmental Protection Agency’s (“EPA”) the California Air Resources Board, and the South Coast Air Quality Management District. The CAAP is the Harbor Department’s five-year comprehensive plan to address air pollution emissions from Port-related sources. Emission sources targeted by the CAAP include ships, trains, cargo handling equipment, harbor craft and heavy duty trucks. Through implementation of the CAAP, the Harbor Department expects to achieve at least a 45% reduction in air emissions over the five-year planning period, compared to what would have occurred without the CAAP. The CAAP will require a significant investment by the Harbor Department, the Port of Los Angeles and private sector businesses and will expedite the introduction of new and innovative methods of reducing emissions prior to any federal or State requirements being imposed on the San Pedro Bay Ports.

The CAAP addresses every category of Port-related emission sources (ships, trucks, trains, cargo-handling equipment and harbor craft) and outlines specific, detailed strategies to reduce emissions from each category. Pursuant to the CAAP, the Harbor Department has undertaken several programs to lower air pollution levels at the Port, including, but not limited to: (a) an incentive-based program that encourages vessels entering the San Pedro Bay Ports to lower their speeds (faster speeds produce higher emissions) (the “Green Flag Incentive Program”); (b) accelerated replacement of cargo handling equipment with equipment that meets the cleanest engine standards; (c) use of shore-side electrical power for ships calling at the Port (also known as “cold ironing”); (d) a Technology Advancement Program which seeks to accelerate the verification or commercial availability of new, clean technologies, through evaluation and demonstration in port operations; (e) replacement of the entire fleet of 16 switcher locomotives operated by Pacific Harbor Line with less polluting locomotives and the purchase of six generator set locomotives which meet the cleanest engine standards; and (f) the Clean Trucks Program (“CTP”), which requires progressively cleaner engine standards for trucks operating at the Port, so that by January 2012, all trucks operating at the Port will meet the EPA’s 2007 On-Road Heavy Duty emissions standards.

Water Quality Improvement. The Harbor Department faces water quality issues that include not only stormwater runoff from Port lands, but also the on-water activities of industrial harbors, legacy sediment contamination, and inputs from intensely developed urban watersheds upstream. Recognizing the advantages of addressing these issues on a port-wide basis, in 2009, the Harbor Department and the Port of Los Angeles worked cooperatively with regulatory agencies and the public to develop a Water

Resources Action Plan (the “WRAP”). The WRAP is a joint plan for managing water and sediment quality at the San Pedro Bay Ports. The WRAP identifies the key issues in the port complex; identifies control measures to address those issues; and assembles existing, as well as proposed, water and sediment programs into those measures. The WRAP describes the implementation tools available to the San Pedro Bay Ports (lease and tariff provisions, incentives, and port-sponsored initiatives) and establishes a schedule for implementing the control measures. A key aspect of the WRAP is its dynamic nature: the WRAP will be revisited periodically to add detail and to add or modify measures where appropriate. The control measures described in the WRAP consist largely of plan formulation and the expansion and reorganization of activities that the San Pedro Bay Ports are already engaged in. Accordingly, the cost of implementing the control measures will consist predominately of staff and consultant time. Several of the control measures set forth in the WRAP will likely involve capital costs at the implementation phase. Costs of the WRAP will be paid with Harbor Department revenues, federal, state and local grant funding and other sources of funds. The Board does not expect these costs to be material to the Harbor Department.

Capital Development Program

Master Plan. On October 17, 1978 the California Coastal Commission (the “CCC”) certified the Port of Long Beach Master Plan, as amended (the “Port Master Plan”) as being in conformance with the policies of Chapters 8 and 3 of the California Coastal Act. The Port Master Plan has been amended on numerous occasions since 1978. All amendments to the Port Master Plan that required the approval of CCC were approved by CCC. The purpose of the Port Master Plan is to provide the Harbor Department with a planning tool to guide future Port development and to ensure that projects and developments in the Harbor District are consistent with the requirements of the California Coastal Act. The Port Master Plan establishes a flexible framework allowing for planned development of the Port. The current version of the Port Master Plan identifies conceptual capital projects and improvements to the Port through [2021].

2012-21 Capital Plan. In addition to the Port Master Plan, the Harbor Department maintains a 10-year capital plan which sets forth the specific projects the Harbor Department expects to develop and construct over the next ten years. The 2012-11 Capital Plan is the Harbor Department’s current 10-year capital plan. The 2012-21 Capital Plan includes, but is not limited to, the following capital projects and improvements: expansion and modernization at the shipping terminals on Piers D, E, F and G, expansion of on-dock rail facilities, construction of new bridge to replace the existing Gerald Desmond Bridge, dredging of the Long Beach Harbor, installation of various security improvements, and construction of a new container terminal on Pier S. Currently, the 2012-21 Capital Plan has an aggregate estimated cost of approximately \$4.4 billion. The Harbor Department expects to finance approximately \$3.5 billion of the costs of the 2012-21 Capital Plan with revenues of the Harbor Department and proceeds of revenue bonds to be secured by revenues of the Harbor Department. The Harbor Department expects the remaining approximately \$900 million of costs of the 2012-21 Capital Plan will be financed with federal and State grants and other sources of funds. See also “—Environmental Compliance” above

Many of the improvements to the piers set forth in the Port Master Plan and the 2012-21 Capital Plan, include, but are not limited to, longer wharves, deeper berths, larger gantry cranes and larger storage areas necessary to accommodate the docking and loading/unloading requirements of the current and future designed ships. Current container cargo ships have the capacity to transport 4,000 to 8,000 TEUs. The ships of the future are being designed and constructed to carry upwards of 10,000 TEUs.

Following is a brief description of some of the major projects included in the 2012-21 Capital Plan:

Middle Harbor Redevelopment (Piers D, E and F). The Middle Harbor Redevelopment Project is a 10-year approximately \$1.266 billion modernization of the shipping terminals on Piers D, E and F. The project will consolidate the Pier E terminal (170 acres), the Pier F terminal (101 acres), 18 acres of underutilized land north of the Gerald Desmond Bridge and Ocean Boulevard, and the Berth E24 subsided oil area (five acres), and fill an abandoned slip to create a single, modern, 345-acre container terminal. The project will add on-dock rail capacity, shore-side electrical power, and deeper channels to accommodate the newest container ships. Construction on Phase I of the Middle Harbor Redevelopment Project started in Spring 2011. The new terminal has been designed to move 3.3 million TEUs, approximately twice the amount of cargo that is moved through the current facilities. The Harbor Department is in final negotiations with Long Beach Container Terminal, Inc. (which currently operates the Pier F terminal) to enter into a new property agreement for operation of the new facilities being constructed as part of the Middle Harbor Redevelopment.

Pier G Modernization. The Pier G Modernization Project is a multi-year, approximately \$1.1 billion renovation of the container terminal on Pier G. The Pier G Modernization Project includes the filling of the slip that exists between the old Piers G and J and other portions of the southeast basin, the combining of various terminal areas, landfills, and facilities into an integrated terminal, with approximately 270-acres and 4,000 feet of new deep-water berths (capable of being dredged to 55 feet, and thus able to handle the next generation of large container ships), installation of 100-foot gauge cranes, and shore-side electrical power. The project also includes the addition of two multi-lane trucking gates equipped with optical character recognition capability and radiation monitoring, a new working and storage railyard, renovation of the existing rail yard, the addition of approximately 175,000 square feet of new state of the industry green buildings with remote container yard management capabilities, a storm drain catchment and trash reparation system, new pavement, new high mast lighting poles and lighting. An EIR for the Pier G Modernization Project was certified by the Board in 2000. In 2001, the U.S. Army Corps of Engineers' approved a dredge and fill permit, authorizing the dredging, fill of open waters, and construction of quarry-run rock dike and pile-supported concrete wharf.

The Pier G Modernization Project is being constructed in several phases to maintain the operations of International Transportation Service Inc. , the current tenant of Pier G. To date, the completed projects include the construction of a trucking gate and storage rail (completed in 2003), a ten-acre landfill and approximately 1,295 feet wharf at berth G236 (completed in 2003), an approximately 1,345 feet wharf retrofitted with shore-side electrical power (completed in 2008), and the installation of approximately 400 refrigerated container receptacles (completed in 2009).

Currently under construction and expected to be completed by early 2012 are the administration and operations buildings complex, the maintenance and repair buildings complex, the west arrivals buildings complex. Also under construction and expected to be completed in mid-2014 is the development of the North Slip newly created fill area, which will create approximately 11 additional rentable acres and add approximately 500 refrigerated container receptacles. Additionally under construction is a new railyard designed to increase Pier G's rail capacity by approximately 85%. The new railyard is expected to be completed by mid-2012. Shore-to-ship power retrofitting of Berth G236, and the demolition of existing buildings and the rehabilitation of their area into container yard, are expected to be bid in 2012 and completed in late 2013. The remaining projects master-planned under this program are partially designed and await lease negotiations with the tenant to proceed to completion of design, permitting, bidding, and construction.

To date, approximately \$453 million has been authorized by the Harbor Board, and approximately \$373 million has been expended. The total cost for the program is estimated at \$970 million, with completion expected in 2020 if all portions of the program are undertaken. If certain types

of automation of the container yard are undertaken, the cost of the Pier G Modernization Project may increase by an additional \$75 million to \$150 million depending on the selected automation model.

On-Dock Rail Support Facility. A major transportation element of the 2012-21 Capital Plan is to move more cargo by rail instead of by truck. The Port has a significant railroad infrastructure improvement program that includes seven rail projects within the marine terminals and nine rail-related projects outside the marine terminal but within the Harbor District with an approximate overall cost of \$1.38 billion. The Port's major rail infrastructure project is "the on-dock rail support facility" to be located at Pier B. The Pier B railyard is a multi-phased project which is anticipated to begin by 2015 (pending EIR certification). An EIR is currently in process for the project and is expected to be approved by the Harbor Board by the end of 2013. The final phase of the Pier B on-dock rail support facility is expected to be completed by the end of 2021. The expansion entails increasing the capacity to load and unload trains on the docks thereby maximizing the number of containers moved directly via rail and reducing truck trips on streets and freeways within the region, including the Long Beach freeway.

Gerald Desmond Bridge Replacement. The project to replace the Gerald Desmond Bridge includes the replacement of the existing [four/five]-lane Gerald Desmond Bridge, which spans the Port's Main Channel, with a new six-lane bridge. Currently, the Gerald Desmond Bridge provides two travel lanes and a truck climbing lane in each direction. The truck climbing lane merges at the crest of the bridge in both directions causing slow moving trucks to merge into steadily flowing traffic. This results in congestion and collisions. Additionally, the existing bridge lacks shoulders for disabled vehicles and, depending on tide conditions, is too low to accommodate passage of the largest ships. The new bridge would be higher to allow additional clearance for ships and wider to provide three travel lanes and shoulders, and would reduce the grade to five percent. [In February 2010, an EIR with respect to the replacement of the Gerald Desmond Bridge was released by the Harbor Department for public comment. - status] The Harbor Department has partnered with the California Department of Transportation to construct the bridge via the design-build construction method. Four firms were pre-qualified to submit bids. Bid submittals are due on March 2, 2012. Construction is anticipated to commence in 2012 with an estimated total project cost of \$960 million, including \$114 million in Harbor Department funds.

Long Beach Harbor Dredging. The Harbor Department is undertaking an approximately \$54 million dredging project to improve navigation in harbor waters. The project began in 2010. Although there are four separate locations involved in the dredging project, the primary focus is deepening the inner turning basin south of the BP oil terminal to 76 feet, the same depth as the main channel. The deeper inner basin means large tankers will no longer need to unload part of their oil outside the breakwater to safely reach berth. The new depth also will allow ships to turn more easily in the inner basin. The dredge materials will be used to fill about 12 acres at Pier G.

Pier S. Pier S is an approximately 170-acre site located on the west side of the Port directly north of Pier T. Prior to its purchase by the Harbor Department in 1994, Pier S was owned by the Union Pacific Resources Corporation ("UPRC") and was used as an active oil and gas production field. During the 1950's and 1960's, a portion of Pier S was leased by UPRC to the now-defunct TLC Corporation for the willow impoundment disposal of oil and gas drilling waste. Testing conducted in the early 1980's indicated that TLC Corporation disposed of materials other than those permitted under the lease with UPRC. The Harbor Department has completed remediating the site and is currently preparing an EIR/EIS (the "Pier S EIR/EIS") for full development of Pier S into container and breakbulk cargo facilities. See "—Environmental Compliance." Once the Harbor Department receives a final record of decision with respect to the development of Pier S and approval from the U.S. Army Corps of Engineers, the Harbor Department can begin construction of facilities on Pier S.

The container and breakbulk facilities to be constructed on Pier S are expected to consist of approximately 150 acres of land and to include approximately 3,200 feet of deep draft wharf (water depth of approximately 55 feet), a multi-lane gate complex, approximately 12 terminal buildings, up to 12 dockside gantry cranes, outlets for refrigerated containers and shore-to-ship power, paved and lighted yard for the storage and handling of containerized cargo and the capability to install dockside rail service in the future. The Harbor Department also is planning to widen Cerritos Channel as part of the Pier S wharf construction to accommodate the next generation of large container vessels. The Harbor Department has relocated certain pipelines and utilities and has brought the site to grade by filling the area with more than 5 million cubic yards of clean imported soil. The Harbor Department does not plan to improve Pier S beyond what has been completed to date, until such time as the Pier S EIR/EIS has been certified, approval from the U.S. Army Corps of Engineers has been received by the Harbor Department and a tenant has signed a long-term lease to operate from Pier S. Total costs of improving Pier S, including the environmental remediation and the construction of the facilities, are estimated to be approximately \$700 million (in 2008 dollars), of which approximately \$[200] million has already been expended.

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Summary of Historical Operating Results

The following tables present the Harbor Department's Statements of Revenues and Expenses for fiscal years 2007-2011.

TABLE 13
Harbor Department of the City of Long Beach
Comparative Summary of Statements of Revenues and Expenses
Fiscal Years Ended September 30, 2007-2011
(000's)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011¹</u>
Port Operating Revenues:					
Berths/Special Facilities	\$351,891	\$340,525	\$291,452	\$303,996	\$328,987
Rental Properties	14,633	14,496	15,957	14,279	14,138
Miscellaneous	<u>4,308</u>	<u>4,323</u>	<u>3,942</u>	<u>3,365</u>	<u>2,265</u>
Total Port Operating Revenues	<u>370,832</u>	<u>359,344</u>	<u>311,352</u>	<u>321,639</u>	<u>345,390</u>
Port Operating Expenses:					
Operating/Administrative	96,964	116,166 ²	97,880	98,026	81,423
Depreciation/Amortization	<u>83,067</u>	<u>79,497</u>	<u>85,858</u>	<u>86,619</u>	<u>85,005</u>
Total Port Operating Expenses	<u>180,031</u>	<u>195,663</u>	<u>183,738</u>	<u>184,646</u>	<u>166,428</u>
Income from Port Operations	<u>190,801</u>	<u>163,681</u>	<u>127,614</u>	<u>136,993</u>	<u>178,962</u>
Non-Operating Income (Expense):					
Clean Air Action Plan	0	(13,867)	13,323	3,552	(3,573)
Gain/Loss from Harbor Oil Operations	(21,070)	31,153	923	19,034	1,525
Gain/Loss on Sale of Property	0	(255)	8	(2)	74
Income from Equity in Joint Ventures	4,675	4,441	2,994	2,270	0
Interest Expense, Net of Capitalized Interest	(53,073)	(46,391)	(40,830)	(33,051)	(33,611)
Interest Income, Net of Capitalized Interest	43,374	33,347	18,579	7,930	4,994
Other, Income (Expense) Net	<u>1,267</u>	<u>1,047</u>	<u>8,773</u>	<u>(4,752)</u>	<u>(14,918)</u>
Total Non-Operating Income (Expense)	<u>(24,827)</u>	<u>9,476</u>	<u>3,771</u>	<u>(5,018)</u>	<u>(45,509)</u>
Income Before Operating Transfers and Capital Grants	<u>165,974</u>	<u>173,156</u>	<u>131,385</u>	<u>131,975</u>	<u>133,452</u>
Net Operating Transfers	(15,400)	(16,059)	(18,587)	(30,451)	(10,117)
Capital Grants and Contributions and Depreciation	<u>10,020</u>	<u>3,742</u>	<u>11,440</u>	<u>18,663</u>	<u>7,444</u>
Change in Net Assets (Deficit)	<u>\$ 160,595</u>	<u>\$ 160,839</u>	<u>\$ 124,237</u>	<u>\$ 120,188</u>	<u>\$ 130,779</u>
Net Assets (beginning of fiscal year)	<u>\$1,982,146</u>	<u>\$2,142,741</u>	<u>\$2,303,580</u>	<u>\$2,427,817</u>	<u>\$2,548,005</u>
Net Assets (end of fiscal year)	<u>\$2,142,741</u>	<u>\$2,303,580</u>	<u>\$2,427,817</u>	<u>\$2,548,005</u>	<u>\$2,678,784</u>

¹ Unaudited. Fiscal year 2011 financial information is based on unaudited actual results.

² Includes recognition of a one-time environmental remediation cost of \$20 million relating to cleaning up waste at Pier A.

Source: For fiscal years 2007-2011, the Harbor Department's audited financial statements for fiscal years 2007-2010. For fiscal year 2011, For fiscal year 2011, unaudited actual results of the Harbor Department.

Fiscal year 2011 operating revenues were approximately \$345,390,000, an increase of 7.4% from fiscal year 2010. Revenues for containerized cargo, dry bulk, steel/break bulk and lumber (9%, 15%, 26% and 51% increases, respectively) increased in fiscal year 2011. Revenues for petroleum and liquid bulk, vehicles, other terminals and miscellaneous income (5%, 1%, 4% and 33% decreases, respectively)

decreased in fiscal year 2011. Cargo volume for fiscal year 2011 was 154,417,000 MRTs, an increase of 4.8% from fiscal year 2010. Containerized cargo, dry bulk and general cargo all increased in volume between fiscal year 2010 and fiscal year 2011. Fiscal year 2011 operating and administrative expenses were approximately \$81,423,000, a decrease of 16.9% from fiscal year 2010. The decrease of operating and administrative expenses was mainly as a result of one-time repair projects that occurred in fiscal year 2010 and a bad debt reduction because of a delayed payment being received in fiscal year 2011 from one of the Harbor Department's vendors. Investment income was lower by \$2,937,000 in fiscal year 2011 due to lower interest rates.

Outstanding Harbor Revenue Bonds

The following table sets forth information with respect to the Harbor Department's Harbor Revenue Bonds which have been issued and were outstanding as of February 1, 2012.

TABLE 14
Harbor Department of the City of Long Beach
Outstanding Harbor Revenue Bonds
(as of February 1, 2012)

Harbor Revenue Bonds	Original Principal Amount	Principal Amount Outstanding	Final Maturity Date
Series 1998A	\$ 206,330,000	\$109,250,000	5/15/2019
Series 2002B	150,000,000	53,255,000	5/15/2027
Series 2004A	81,365,000	21,740,000	5/15/2015
Series 2004B	32,045,000	32,045,000	5/15/2018
Series 2005A	233,005,000	102,760,000	5/15/2025
Series 2005B	24,970,000	24,970,000	5/15/2018
Series 2010A	200,835,000	191,510,000	5/15/2025
Series 2010B	<u>158,085,000</u>	<u>157,935,000</u>	5/15/2027
Total	<u>\$1,086,635,000</u>	<u>\$693,465,000</u>	

Source: Harbor Department.

Financial Statements of the Harbor Department

The audited financial statements of the Harbor Department for the fiscal year ended September 30, 2010 (the "2010 Audited Financial Statements") are included as Appendix A attached hereto. The 2010 Audited Financial Statements were audited by KPMG LLP, Long Beach, California, independent certified public accountants, whose report with respect thereto also appears in Appendix A hereto. None of the Authority, the City or the Harbor Department requested, nor did the Authority, the City or the Harbor Department obtain, permission from KPMG LLP to include the 2010 Audited Financial Statements as an appendix to this Official Statement. In addition, KPMG LLP has not performed any post-audit review of the financial condition or operations of the Harbor Department and has not reviewed this Official Statement.

THE AQUARIUM

As described above under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Lease; Rental Payments," pursuant to the Lease, the Corporation is required to pay

Rental Payments (not to exceed the Section 5.02(c) Rent of \$3,528,000) to the Authority each year. Over the last 5 years, the Corporation made the full Section 5.02(c) Rent payment to the City. The Corporation derives the Rental Payments from its operation of the Aquarium.

The Aquarium, which opened in June 1998, is located on a five-acre site on Rainbow Harbor in Long Beach, California, across the water from the Convention Center, Shoreline Village and the Queen Mary Hotel and Attraction. The Aquarium contains 19 major habitats and 32 smaller exhibits. More than 11,000 ocean animals live in the Aquarium. The Aquarium had approximately 1,447,000 visitors in the calendar year December 31, 2011 as compared to approximately 1,429,000 in the calendar year December 31, 2010. The Aquarium generated approximately \$6 million (unaudited) of net operating revenues (before depreciation and interest expense and certain redevelopment agency transfers to the Corporation) in Fiscal Year 2011 and approximately \$6 million of net operating revenues (before depreciation and interest expense and certain redevelopment agency transfers to the Corporation) in the fiscal year ended September 30, 2010.

See “APPENDIX B—THE AQUARIUM OF THE PACIFIC” and “APPENDIX C—AQUARIUM OF THE PACIFIC AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009” for additional operating and financial information about the Corporation and the Aquarium.

RISK FACTORS

Deposits to Tideland Operating Fund

Eighty-seven percent of the amounts deposited to the Tideland Operating Fund in Fiscal Year 2011 consisted of Available Tidelands Oil Revenue and the 5% Transfer. Transfers into the Tideland Operating Fund each fiscal year are subject to the City’s budgeting process. The City’s consistent practice is to budget for and request all transfers (including the Available Tidelands Oil Revenue and the 5% Transfer) into the Tideland Operating Fund to which the fund is entitled to receive on an annual basis.

The amount of Available Tidelands Oil Revenue each fiscal year will be dependant on the amount of oil recovered from the Wilmington Oil Field and on the price at which such oil is purchased. The actual amount of oil recovered and the price at which such oil is purchased depends upon a number of factors, including specifically the rate of consumption of motor fuels and the substitution of alternative energy sources for motor vehicles which may be affected by a number of factors including, but not limited to: (a) increasing costs of motor fuels reducing demand; (b) increasing fuel efficiency of motor vehicles and the substitution of alternative energy sources for motor vehicles; (c) development of alternative energy sources; (d) development of mass transit; and (e) changing demographics within the City and State.

The 5% Transfer is based upon gross operating revenues of the Harbor Department. The amount of the 5% Transfer is not within the control of the City. Gross operating revenues of the Harbor Department are significantly influenced by a variety of factors, including, among others, global and domestic economic conditions, fuel prices, construction activity, currency values, international trade, availability of effective labor support, the financial condition of maritime related industries, the proliferation of operational alliances and other structural conditions affecting maritime carriers. Even though the City has requested, and the Harbor Department has made, a transfer to the City from the Harbor Revenue Fund each fiscal year over the last 14 fiscal years, the City does not guaranty that the 5% Transfer will be made in the future.

Factors Affecting Oil Production and Revenues

[Discussion to follow.]

Factors Affecting Demand for Port Facilities

The demand for Port facilities and the revenues of the Harbor Department (and therefore the 5% Transfer) are significantly influenced by a variety of factors, including, among others, global and domestic economic conditions, fuel prices, construction activity, currency values, international trade, availability of effective labor support, the financial condition of maritime related industries, the proliferation of operational alliances and other structural conditions affecting maritime carriers.

In 2008 and 2009, the global economic downturn resulted in a significant drop in global trade. This was exemplified by an approximately 21.6% decrease in the Port's container volume in fiscal year 2009 as compared to fiscal year 2008 and an approximately 8.5% decrease in the Port's container volume in fiscal year 2008 as compared to fiscal year 2007. Terminal operators and ocean carriers were looking aggressively at all aspects of their businesses for cost savings to mitigate dropping revenue levels. In order to maintain market share and to attract additional discretionary market share, the Harbor Department decided to provide financial incentives to the customers who make port and rail routing decisions. In April 2009, the Harbor Board approved two separate amendments to the Port Tariff. The first amendment was an intermodal rail container cargo incentive program (the "Rail Incentive Program") that provides a 10% rate reduction to terminal operators on wharfage fees for moving intermodal containers through the Port. The Rail Incentive Program was extended until December 31, 2010. The second amendment, which expired on September 30, 2010, provided a \$20 per TEU rebate for ocean carriers moving incremental intermodal container volume through the Port. Other North American ports such as Los Angeles, New York/New Jersey and Savannah also amended their respective incentive programs to attract incremental intermodal rail container cargo business. See "—Port Competition" below. The City cannot predict if the Harbor Department will offer similar incentive programs in the future or what the effects of such programs would be on the Harbor Department's gross operating revenues and the 5% Transfer.

Port Competition

The revenues of the Harbor Department and the 5% Transfer may be adversely impacted by increasing competition from other port facilities; however, the City cannot predict the scope of any such impact at this time. In addition, the imposition of fees that apply only to the Port or to a group of ports that includes the Port, may increase the cost to ocean carriers of utilizing the Port. The Harbor Department may reduce the tariffs or other charges applicable to its ocean carriers to moderate some or all of the potential impact, which in turn would reduce revenues of the Harbor Department and the 5% Transfer. See "—Factors Affecting Demand for Port Facilities" above.

There is significant competition for container traffic among North American ports. Success depends largely on the size of the local market and the efficiency of the port and inland transportation systems for non-local destinations.

Primary competition for the Port comes from the U.S. West Coast Ports of Los Angeles, Oakland, Seattle and Tacoma and the Canadian Ports of Vancouver and Prince Rupert. All-water service from Asia to the Gulf of Mexico and East Coast ports through the Panama Canal and, to a much lesser extent, through the Suez Canal also compete for the same cargos. Improvements currently underway in the Panama Canal will allow larger ships to traverse the canal and the diversion of Asian imports to the U.S. East and Gulf Coast ports may increase. In addition, there may be longer-term competition from the west

coast ports of Mexico. The Port of Punta Colonet, for example, is planning to expand at an as-yet-undetermined future date. All of these ports compete with the Port for discretionary intermodal cargo destined for locations in the Central and Eastern United States and Canada. Currently, this discretionary cargo moves eastward primarily by rail, after being off loaded at West Coast ports in the United States and Canada. Discretionary cargo is highly elastic and is controlled largely by cargo owners and/or ocean carriers who can direct and redirect cargo to any port they choose. Currently, approximately [50]% of the cargo handled by the Port is discretionary cargo. Each port has various competitive advantages and disadvantages in attracting this cargo, but overall cost is the primary factor in routing decisions. Additionally, the Port and the Port of Los Angeles compete for cargo that “naturally” moves through Southern California. Such cargo includes both local cargo (e.g. cargo consumed within the locally defined region) and cargo that prefers Southern California for other reasons (e.g. superior inland distribution capability). The greatest risk to the Port’s market share is with the intermodal discretionary cargo segment. Reduced market share translates into reduced revenue for the Harbor Department.

Southern California. The population base in Southern California has been a key driving force for the growth of container cargo moving through the Port and the Port of Los Angeles (collectively, the “San Pedro Bay Ports”). The roughly 18 million people living in Southern California are a lucrative market for imported goods which cargo owners and ocean carriers need to service directly. Due to the local population, the development of large efficient container terminals, and connections to intermodal rail links, the carriers benefit from the economies of scale at the San Pedro Bay Ports by moving as many containers as possible through the San Pedro Bay Ports. Most container services calling on the West Coast include stops in Southern California and of these stops, a majority utilize the San Pedro Bay Ports as their first port of call and primary intermodal gateway. The San Pedro Bay Ports have increased total container throughput from approximately 9.6 million TEUs in 2001 to approximately 14.0 million TEUs in 2011, reflecting total growth of approximately 45% between 2001 and 2011 (a compound average growth rate of approximately 3.8% per year).

The Port of Los Angeles is effectively the Port’s only competition for the local market area of Southern California, Arizona, New Mexico, Southern Nevada and Utah because of its proximity to the Port and shared inland infrastructure. Other Southern California ports, such as San Diego and Hueneme, account for a very small percentage of total West Coast cargo volume and are not expected to increase their market shares significantly in the foreseeable future. The Port of Los Angeles was the number one container port in the nation for the year ended December 31, 2011 moving an equivalent of approximately 7.9 million TEUs, as compared to the Port (the second busiest container port in the nation) which moved approximately 6.3 million TEUs in calendar year 2011. The Port of Los Angeles also was the number one container port in the nation for the year ended December 31, 2010 moving an equivalent of approximately 7.2 million TEUs, as compared to the Port (the second busiest container port in the nation) which moved approximately 5.9 million TEUs in calendar year 2010. For the calendar year ended December 31, 2010 (the last date for which such information was available), the Port’s share of total West Coast containerized cargo was approximately 22.7% as compared to approximately 28.4% for the Port of Los Angeles. Additionally, due to the continuing development of the new “mega terminals” at the Port and the Port of Los Angeles, the competition between the Port and the Port of Los Angeles is expected to continue.

Oakland. The Port of Oakland is the primary container port for the San Francisco Bay area. Although the Port of San Francisco does have cargo handling facilities, its primary focus is waterfront commercial real estate. The Port of Oakland dominates container traffic through Northern California.

The Port of Oakland recently completed an extensive program to increase its container terminal capacity with modernization and expansion of both the Oakland International Gateway Terminal and the Hanjin Terminal. In addition, the Port of Oakland selected Ports America Outer Harbor LLC for a long-

term concession agreement (50 years) for the Outer Harbor Terminal (Berths 20-24), which began in 2010. This contract will generate revenues for the Port of Oakland while capital improvements are funded by the lessee. The Port of Oakland has nearly completed a dredging program to increase the depth of its channel waters from 42 feet to 50 feet, which will allow access by post-Panamax vessels to most of its terminals.

The Port of Oakland handled approximately 2.3 million TEUs in calendar year 2011 and approximately 2.3 million TEUs in calendar year 2010. For the calendar year ended December 31, 2010 (the last date for which such information was available), the Port of Oakland's share of total West Coast containerized cargo was approximately 8.5% as compared to approximately 8.7% for the calendar year ended December 31, 2009.

Pacific Northwest. Despite the relatively small population base of western Washington, the Ports of Seattle and Tacoma have some advantages over other ports. Located on Puget Sound, the Ports of Seattle and Tacoma enjoy naturally deep harbors and are one day's sailing time closer to the ports in the Pacific Rim countries than the Port. Unlike the Port, the Ports of Seattle and Tacoma are subsidized by general property tax revenues, which allows them to price their marine terminal facilities below the Port's. The Ports of Seattle and Tacoma handled approximately 2.0 and 1.5 million TEUs, respectively, in calendar year 2011 and approximately 2.1 and 1.5 million TEUs, respectively, in calendar year 2010. For the calendar year ended December 31, 2010 (the last date for which such information was available), the Ports of Seattle and Tacoma share of total West Coast containerized cargo was approximately 13.1% as compared to approximately 13.3% for the calendar year ended December 31, 2009.

[From terminal development, rail yard expansion, and channel deepening, the Ports of Seattle and Tacoma are continually working to improve and expand their facilities. In 2007, the Port of Tacoma announced an agreement with NYK Line to build a \$300 million, 168-acre container terminal on the industrial east side of the Blair Waterway. The terminal, largely on the site of the existing TOTE terminal, was to be leased to a container terminal operator, Yusen Terminal Tacoma Inc. ("Yusen"), a wholly-owned subsidiary of NYK Line. Design work for the reconfigured TOTE facility, the redeveloped terminal for Yusen and associated road, rail and utility infrastructure approached the 30% design level. Based on new cost estimates, and the downturn in the global economy, the Port of Tacoma has halted design efforts.] [Status?]

The recent development of additional container handling capacity at Port Metro Vancouver ("PMV"), which was formed by the merger of the Ports of Vancouver, Fraser River and North Fraser River, has added a competitive threat to the Puget Sound ports and provides an alternative gateway for some U.S. intermodal cargo. Like the Ports of Seattle and Tacoma, PMV is one day's sailing time closer to the ports in the Pacific Rim countries than the Port. The Port of Vancouver developed Deltaport in 1997, which is a 160-acre container facility located just north of the U.S.-Canadian border. PMV is nearing its container throughput capacity and is in the process of developing additional container facilities. Much of the expansion at PMV is located at Deltaport. In January 2010, PMV opened a third berth at Deltaport, which increased PMV's capacity by up to 600,000 TEUs and added 50 acres of container storage facilities to the existing two-berth container terminal (210 acres after expansion). In addition, PMV is planning the Terminal 2 Project at Deltaport, which will add a new, three-berth container facility with 200 acres of upland container terminal. [Status?] PMV handled approximately 2.5 million TEUs in calendar year 2010 (the last date for which such information was available), accounting for approximately 9.1% of the West Coast container market. PMV handled approximately 2.2 million TEUs in calendar year 2009, accounting for approximately 9.1% of the West Coast container market.

All-Water Routes. The use of all-water routes to the East and Gulf Coasts of the U.S. is an alternative to Asian intermodal cargo moving through United States West Coast ports. Demand for these

all-water services increased substantially following the 2002 labor problems that occurred on the West Coast. The primary appeal of the all-water routes is the expected reliability of the services. Constraints to all-water routes include lack of channel depth at many Gulf and East Coast ports compared to West Coast ports as well as the current vessel size limitations of the Panama Canal. The latter constraint is being addressed by an expansion of the Panama Canal, the completion of which (expected in 2014) will allow the largest vessels currently in service or being designed to navigate the isthmus in order to reach Gulf and East Coast ports. However, increased Panama Canal fees may impact routing decisions in the long-term. The bigger challenge for many Gulf and East Coast ports is how to finance the large amount of dredging required to achieve necessary channel depths without increasing calling costs to the extent that all-water services are no longer competitive with intermodal cargo moved inland from the West Coast via rail.

Termination or Expiration of Harbor Department Property Agreements

The City, acting by and through the Harbor Board, has agreements with approximately 280 private companies and approximately 40 public agencies. Over the last five fiscal years, property agreements covering waterfront property and facilities have generated in excess of 90% of the Harbor Department's operating revenues. Under these agreements, the City, by and through the Harbor Board, assigns or leases property and facilities to terminal operators for terms of up to 30 years. The property agreements with the Port's top ten revenue producers have expiration dates ranging from 2014 through 2028, with eight of these agreements expiring between 2022 and 2028.

Should a significant number of the parties to the property agreements default on their obligation, terminate their relationships with the Harbor Department or fail to renew their agreements upon expiration, the amount of revenues realized by the Harbor Department and the 5% Transfer could be materially impaired and this could have an adverse impact on the amount of Available Tidelands Operating Revenue and ability to pay debt service on the Series 2012 Bonds. See "THE PORT OF LONG BEACH—Property Agreements."

Effect of a Port Tenant Bankruptcy

A bankruptcy of a tenant of the Port could result in delays and/or reductions in payments to the Harbor Department and the 5% Transfer which could affect the amount of Available Tidelands Operating Revenue and the ability to pay debt service on the Series 2012 Bonds.

A tenant that has executed a preferential assignment agreement, lease or other executory contract with the Harbor Board and seeks protection under the U.S. bankruptcy laws must assume or reject (a) its preferential assignment agreement or lease within 120 days after the bankruptcy filing (subject to court approval, a one-time 90-day extension is allowed, and further extensions are allowed with the consent of the Harbor Board), and (b) its other executory contracts with the Harbor Board prior to the confirmation of a plan of reorganization.

In the event of assumption and/or assignment of any agreement to a third party, the tenant would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable preferential assignment agreement, lease or other agreements.

Rejection of a preferential assignment agreement, lease or other agreement or executory contract will give rise to an unsecured claim of the Harbor Department for damages, the amount of which in the case of a preferential assignment agreement or lease is limited by the United States Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received

in the event of a rejection of a preferential assignment agreement or lease could be considerably less than the maximum amounts allowed under the United States Bankruptcy Code.

In addition, payments made by a tenant in bankruptcy within 90 days of filing a bankruptcy case could be deemed to be an “avoidable preference” under the United States Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy.

During the pendency of a bankruptcy proceeding, a debtor tenant may not, absent a court order, make any payments to the Harbor Department on account of goods and services provided prior to the bankruptcy. Thus, the Harbor Department’s stream of payments from a debtor tenant would be interrupted to the extent of pre-petition goods and services, including accrued tariffs and rents.

In general, risks associated with bankruptcy include risks of substantial delay in payment or of non-payment and the risk that the Harbor Board may not be able to enforce any of its remedies under the agreements with a bankrupt tenant.

With respect to a tenant in bankruptcy proceedings in a foreign country, the Harbor Board is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

Should a significant number of the parties to the major revenue producing property agreements file for bankruptcy protection, revenues received by the Harbor Department (and the 5% Transfer) could be materially adversely impacted and this could have an adverse impact on the amount of Available Tidelands Operating Revenue and the ability to pay debt service on the Series 2012 Bonds. Regardless of any specific adverse determinations in a tenant bankruptcy proceeding, the fact of a tenant bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2012 Bonds.

Aquarium Operating Revenues My Be Insufficient to Pay Rental Payments

There can be no assurance that there will be sufficient Aquarium Operating Revenues generated by the Corporation or that the Corporation will receive sufficient funds to enable there to be sufficient Aquarium Operating Revenues to pay the Rental Payments each year to the Authority. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Lease; Rental Payments.”

Economic Risks Affecting the Aquarium and its Ability to Make Rental Payments

Future revenues and expenses of the Corporation will generally be subject to, among other things, general economic conditions which may affect discretionary income available to residents and tourists for vacation travel, availability of alternative educational, zoological and theme park alternatives, the capabilities of management in marketing and managing the Aquarium, the availability of funds to expand and vary the Aquarium to attract repeat visits, changes in the economy in general, and other conditions which are unpredictable and which may adversely affect the payment of the Rental Payments. Furthermore, comparable ticket prices at other attractions, novelty of attractions and destinations and patterns of leisure activity will all have an effect on the market for the Aquarium.

Condemnation or Destruction of Aquarium

In the event of the condemnation of the Aquarium, there can be no assurance that the value determined will be sufficient to pay the Rental Payments. The actual facility and current land values of the Aquarium are significantly less than the principal amount of the Series 2012 Bonds, and there can be no assurance that such condemnation proceeds will be sufficient for such purpose or that in the event of

partial condemnation, the remaining property will generate sufficient revenues to pay operating and maintenance expenses of the Corporation and to pay the Rental Payments after payment of operating and maintenance expenses of the Corporation.

The Indenture requires that insurance, including business interruption insurance, be maintained by the Corporation with coverage and limits to be established and revised from time to time by an insurance consultant. However, there can be no assurance that any or all of such policies of insurance will be available or available at commercially reasonable rates, or that the proceeds of such policies of will be available or sufficient, in the event of an insured loss, to replace Aquarium Operating Revenues in amounts and within the time necessary to pay, when due, Rental Payments.

Repair and Renewal of Aquarium

Operating and maintenance expenses under the Lease includes amounts for certain capital expenditures to maintain and improve the Aquarium. Further, approved operating and maintenance expenses of the Corporation are to be paid from Aquarium Operating Revenues prior to the payment of the Rental Payments. While the Indenture provides for the establishment and maintenance of a Renewal and Replacement Fund for the purpose of paying the costs of any repair, replacement or additional facilities, there can be no assurance that the Corporation will generate sufficient Aquarium Operating Revenues or otherwise receive sufficient funds for these purposes. The inability of the Corporation to undertake such repairs, replacements or improvements could materially adversely affect the Aquarium and the Aquarium Operating Revenues.

Seismic Risks

The Port and the Aquarium are located in an area considered to be seismically active. The two faults closest to the Port and the Aquarium are the Palos Verdes fault and the Newport-Inglewood fault. More distant faults with a history of causing earthquakes and damage include the San Andreas and San Jacinto faults. A significant earthquake is possible during the period the Series 2012 Bonds will be outstanding. Since 1975, the Harbor Department has designed wharves and other major facilities to withstand the effects of a 8.0 Richter Scale earthquake on the San Andreas fault and a 7.5 Richter Scale earthquake on either the Newport-Inglewood fault or the Palos Verdes fault. The Aquarium is designed to meet all applicable seismic standards of regulatory agencies. The Aquarium's life support systems and building are constructed on a series of 1,800 cement pilings that are built 85 feet into the ground.

A forecast prepared by U.S. Geological Survey, Southern California Earthquake Center, and California Geological Survey and released in April 2008 indicates that there is a 67% chance that an earthquake measuring 6.7 or larger on the Richter Scale will occur in the greater Los Angeles area, and a 97% chance that such an earthquake will occur in Southern California, by 2037. The Port and/or the Aquarium could sustain extensive damage to their respective facilities in a major seismic event from ground motion and liquefaction of underlying soils, which damage could include slope failures along the shoreline, pavement displacement, distortions of pavement grades, breaks in utility, drainage and sewage lines, displacement or collapse of buildings, failure of bulkhead walls, and rupture of gas and fuel lines. A major seismic event in Southern California, or elsewhere in the world, also could result in the creation of a tsunami that could cause flooding and other damage to the Port and/or the Aquarium. Damage to Port and/or Aquarium facilities as a result of a seismic event, including any tsunami, could materially adversely affect the respective operating revenues of the Harbor Department and the Corporation, and could materially adversely affect the amount of the 5% Transfer and/or the ability of the Corporation to make Rental Payments.

Neither the City nor the Harbor Department maintains insurance against earthquake damage because of the high costs of premiums and the low levels of coverage currently available. To date, no earthquakes have caused structural damage to Port facilities or the Aquarium.

The Corporation is not obligated under the Lease to maintain earthquake insurance unless such coverage is available from responsible carriers at reasonable cost. The Corporation does not maintain earthquake insurance coverage because such coverage cannot be obtained at a reasonable cost. Additionally, the City does not maintain any earthquake insurance on the Parking Facility.

Bankruptcy and Other Factors That Could Affect the Security for the Series 2012 Bonds

[In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Lease with respect to the City and the Corporation may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The ability to enforce such agreements will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion, delay and substantial costs or that otherwise may not be readily available or be limited. It may also not be possible to perfect a security interest in any manner whatsoever in certain types of Aquarium Operating Revenues (e.g., gifts, donations and certain insurance proceeds) prior to actual receipt by the Corporation for deposit in the Revenue Fund.]

The various legal opinions to be delivered concurrently with the issuance of the Series 2012 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization, fraudulent conveyance or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Forward-Looking Statements

This Official Statement, including the appendices hereto, contains statements relating to future results that are forward-looking statements. When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. See "INTRODUCTION—Forward-Looking Statements."

THE AUTHORITY

The Authority is a joint exercise of powers authority duly organized and existing pursuant to a Joint Exercise of Powers Agreement, dated June 26, 1997, as amended (the "JPA Agreement") by and between the City and [the Agency]. The Authority is governed by a board of directors comprised of three members. The Authority is statutorily authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and is empowered under the JPA Agreement to issue bonds, including the Series 2012 Bonds. The Authority is administered by the City staff.

CERTAIN LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix F hereto. Certain legal matters will be passed upon for the Authority by Kutak Rock LLP, Disclosure Counsel; for the Authority and the City by the City Attorney

of the City of Long Beach, California; for the Underwriters by Fulbright & Jaworski LLP, Underwriters' Counsel; and for the Corporation by Stradling Yocca Carlson & Rauth, a Professional Corporation, Corporation Counsel. None of Bond Counsel, Disclosure Counsel, Underwriters' Counsel or Corporation Counsel undertake any responsibility for the accuracy, completeness or fairness of this Official Statement. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with respect to the issuance of the Series 2012 Bonds are contingent upon the issuance and delivery of the Series 2012 Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc., served as the Financial Advisor in connection with the issuance of the Series 2012 Bonds. The Financial Advisor is not contractually 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 this Official Statement. Fees of the Financial Advisor with regard to the issuance of the Series 2012 Bonds are contingent upon the issuance and delivery of the Series 2012 Bonds.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Series 2012 Bonds and the Authority will not provide any such information.

The City and the Corporation will covenant for the benefit of Owners and Beneficial Owners of the Series 2012 Bonds to provide certain financial information and operating data relating to the Tideland Operating Fund, the Available Tidelands Oil Revenue, the Port and the Aquarium (the "Annual Information") by not later than 180 days following the end of the City's and the Corporation's fiscal year (which fiscal year currently ends on September 30), commencing with the Annual Information for the fiscal year ended September 30, 2011, and to provide notices of the occurrence of certain enumerated events, in some cases only if such events are material. The Annual Information and any notices of certain enumerated events will be filed by the City with the MSRB through the EMMA system. The specific nature of the information to be contained in the Annual Information and the notices of enumerated events is set forth in "APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the Underwriters for the Series 2012 Bonds in complying with Rule 15c2-12. The City and the Corporation have not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of certain enumerated or material events described in the Rule.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Series 2012 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority, the Corporation and the City have covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2012 Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2012 Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012 Bonds.

Subject to the Authority's, the Corporation's and the City's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest

on the Series 2012 Bonds (a) is excludable from the gross income of the owners thereof for federal income tax purposes; and (b) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Series 2012 Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority, the Corporation and the City with respect to certain material facts within the Authority's, the Corporation's and the City's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Series 2012 Bonds.

Ownership of the Series 2012 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2012 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Series 2012 Bonds is the price at which a substantial amount of such maturity of the Series 2012 Bonds is first sold to the public. The Issue Price of a maturity of the Series 2012 Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the Series 2012 Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Series 2012 Bonds (the "OID 2012A Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID 2012A Bond in the initial public offering at the Issue Price for such maturity and who holds such OID 2012A Bond to its stated maturity, subject to the condition that the Authority, the Corporation and the City comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID 2012A Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID 2012A Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID 2012A Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID 2012A Bonds.

Owners of Series 2012 Bonds who dispose of Series 2012 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2012 Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 2012 Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2012 Bond is purchased at any time for a price that is less than the Series 2012 Bond's stated redemption price at maturity or, in the case of an OID 2012A Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Series 2012 Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2012 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID 2012A Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2012 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2012 Bonds.

An investor may purchase a Series 2012 Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2012 Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2012 Bond. Investors who purchase a Series 2012 Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2012 Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2012 Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2012 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2012 Bonds. If an audit is commenced, under current procedures the Service may treat the [Authority, the Corporation and/or the City] as a taxpayer and the Owners of the Series 2012 Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2012 Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2012 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2012 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a

substantially identical form, or to any Series 2012 Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is exempt from California personal income taxes.

Ownership of the Series 2012 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon issuance of the Series 2012 Bonds is set forth in Appendix F.

UNDERWRITING

The Series 2012 Bonds will be purchased by Loop Capital Markets, LLC, [] (the “Underwriters”), from the Authority at a price of \$ (consisting of the par amount of the Series 2012 Bonds, [plus/less] a net original issue [premium/discount] of \$, less an underwriter’s discount of \$), subject to the terms of a bond purchase agreement (the “Bond Purchase Agreement”), between the Underwriters and the Authority. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2012 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2012 Bonds set forth on the inside of the front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2012 Bonds to certain dealers, institutional investors, and other at price lower or yields higher than the public offering prices or yields stated on the inside cover page hereof and such public offering prices or yields may be changed from time to time by the Underwriters.

Loop Capital Markets, LLC (“Loop Capital”) provided the information contained in this paragraph for inclusion in this Official Statement. Loop Capital has entered into an agreement (the “Distribution Agreement”) with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), Loop Capital will share a portion of its underwriting compensation with respect to the Series 2012 Bonds with UBS Financial Services Inc.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority, the Corporation or the City, for which they received or will receive customary fees and expenses.

In the ordinary course of its various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long

and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority, the Corporation or the City.

LITIGATION

No litigation is pending, or to the best knowledge of the Authority, the City and the Corporation, threatened against the Authority, the City or the Corporation concerning the validity of the Series 2012 Bonds. The Authority, the City and the Corporation are not aware of any litigation pending or threatened questioning the existence of the Authority, the City or the Corporation or contesting the pledge of Pledged Revenues or challenging any action taken by the Authority, the City or the Corporation with the authorization of the Indenture or any other document relating to the Series 2012 Bonds or the defeasance and redemption of the Prior Bonds or the performance by the Authority, the City or the Corporation of any of their obligations under any of the foregoing.

RATINGS

Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") have assigned ratings of "[]" ([] outlook) and "[]" ([] outlook), respectively, to the Series 2012 Bonds. Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Series 2012 Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2012 Bonds.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority, the Corporation or the City and the purchasers or Owners of any of the Series 2012 Bonds.

AUTHORIZATION

The Authority has authorized the distribution of this Official Statement. This Official Statement has been duly executed and delivered by the Chair of the Authority on behalf of the Authority.

LONG BEACH BOND FINANCE AUTHORITY

By _____
Chair

APPENDIX A

**HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

APPENDIX B

THE AQUARIUM OF THE PACIFIC

General

As described above under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Lease; Rental Payments" in the forepart of this Official Statement, pursuant to the Lease, the Corporation is required to pay Rental Payments (not to exceed the Section 5.02(c) Rent of \$3,528,000) to the Authority each year. Over the last 5 years, the Corporation made the full Section 5.02(c) Rent payment to the City. The Corporation derives the Rental Payments from its operation of the Aquarium.

The Aquarium, which opened in June 1998, is located on a five-acre site on Rainbow Harbor in Long Beach, California, across the water from the Convention Center, Shoreline Village and the Queen Mary Hotel and Attraction. As of January 1, 2012, the Corporation had a staff of approximately 140 full-time employees, approximately 160 part-time employees and approximately 1,500 volunteers, including approximately 150-160 divers.

Aquarium Facilities and Exhibits

Current Facilities and Exhibits. The Aquarium contains 19 major habitats and 32 smaller exhibits and is located on a 256,796 square foot site in the City. More than 11,000 ocean animals live in the Aquarium. The Great Hall of the Aquarium is 11,272 square feet. Exhibits, including aquatic tanks (49,723 square feet), range in size and capacity from approximately 100 to 350,000 gallons. Public non-exhibit areas of the Aquarium include the 200-seat theater (2,093 square feet) and education center (3,137 square feet), an indoor/outdoor restaurant (4,245 square feet), a gift shop (4,980 square feet), and a satellite gift store and food service in the outdoor area of the Aquarium (1,300 square feet). Since opening to the public, the Aquarium has had more than 18 million visitors tour the Aquarium's galleries, "Southern California/Baja," "Northern Pacific," "Tropical Pacific," the new "Ocean Science Center," a special exhibit gallery, the outdoor "Lorikeet Forest" and the outdoor "Shark Lagoon." The Aquarium had approximately 1,447,000 visitors in the fiscal year ended September 30, 2011.

The Southern California/Baja Gallery includes the Blue Cavern exhibit (approximately 124,000 gallons), a three-story high exhibit in the Great Hall composed of three large pieces of nine-inch thick acrylic panels each weighing seven tons. The Blue Cavern contains more than 400 predatory fish, including leopard sharks, kelp, sea bass, sheepheads and giant spined sea stars. This gallery also includes the Seals/Sea Lions exhibit (approximately 180,000 gallons), which features viewing of sea lions and harbor seals both above and below the water.

The Northern Pacific Gallery includes the Giant Octopus exhibit and is designed to teach visitors about the animals' habitat in the rocky environment and cold waters of the Northern Pacific. The BP Sea Otters Habitat exhibit (approximately 36,000 gallons) recreates California's central coast to educate visitors about threats to endangered California sea otters. This gallery also contains the Giant Japanese Spider Crabs exhibit, featuring giant spider crabs and king crabs.

The Tropical Pacific Gallery includes the Coral Lagoon exhibit, which contains many tropical fish species viewed by visitors through the willow waters of a coral reef. This gallery also includes the Tropical Reef exhibit (approximately 350,000 gallons), the largest habitat in the Aquarium and home to more than a thousand fish, including surgeonfish (tang), butterflyfish, damselfish and snappers.

The Special Exhibit Gallery, includes a temporary exhibit that changes every 12 to 36 months. "Arctic & Antarctic: Our polar Regions in Peril" is currently in the special exhibit gallery. The exhibit focuses on climate change, which is causing, among other things, warmer ocean temperatures, melting ice and rising seas. The gallery displays how these climactic events pose a serious threat to fragile ecosystems and ultimately people and animals across the globe. The gallery includes a sea jellies touch lab and exhibits featuring king crabs and arctic char, the latter being the only fresh water exhibit at the Aquarium.

The Shark Lagoon is an 11,000 square foot exhibit that is adjacent to the hands-on 5,400 square foot Lorikeet Forest aviary. Shark Lagoon includes a shark tank with touch pools (approximately 80,000 gallons), featuring approximately 120 large and small sharks and rays, interactive water features, a theater, the satellite gift store, and the Bamboo Bistro outdoor café.

The Ocean Science Center is a new 1,300 square foot building addition to the Aquarium. The Center houses the National Oceanic and Atmospheric Administration ("NOAA") "Science on a Sphere," a six-foot diameter globe that works as a large-scale projector screen. Large flat screen LED televisions placed above the sphere provide additional views and Spanish subtitles of the audio of environmental films played throughout the day.

Our Watershed: Pathway to the Pacific is an LEED Platinum classroom and an exhibit where visitors can interact with a three-dimensional watershed model. Guests can "make it rain" on the watershed to learn about what happens to the water once it lands on the mountains and streets. The exhibit features stations that display photos, information about where water comes from, what people can do at home to conserve the most water and what options are available to sustain the supply of water needed for the southern portion of the State. Additionally, the classroom and the exhibit are used by schools and community groups to learn about watersheds. The Watershed: Pathway to the Pacific facility is located on land that the Corporation added to its control after the execution of the Lease with the Authority and is not included as part of the Lease.

Molina Animal Care Center, is a 14,000-square-foot facility which provides enhanced healthcare to animals as well as opportunities for visitors to view veterinary medicine in action. This space includes a public area with interactive exhibits, an 1,800 square foot animal hospital, a 1,460 square foot indoor animal holding enclosure, a 40-foot holding tank and outdoor pads for future needs. The Molina Animal Care Center is located on land that the Corporation added to its control after the execution of the Lease with the Authority and is not included as part of the Lease.

Recent Developments. The June Keyes Penguin Habitat (approximately 8,000 gallons and 3,500 square feet) is under construction and is expected to open in May 2012. The Habitat will feature 14 Magellanic penguins from the temperate zone of South America, a seating area, and signage about these animals and the threats facing them.

The Corporation also is planning to expand the satellite retail store from approximately 600 square feet to 1,000 square feet. Additionally, a salt water intake pipe will be installed after completing the entitlement process to bring salt water from the mouth of the Los Angeles River into the Aquarium's life support systems. This project is targeted for completion in 2013.

Future Planned Expansion/Exhibits. The Corporation is in the preliminary planning stages of a proposed addition to the Aquarium that would add 23,330 net incremental square feet of interior space. The primary feature of the addition will be a two story, 50-foot high wing, titled "Pacific Visions" that will contain an immersive theater, an expanded changing exhibit gallery replacing the current, smaller special exhibits gallery, a pre-show area, a post-show gallery, as well as guest services for ticketing and

membership. The addition also would include a new entrance façade with approximately 1,300 square feet of lobby space, and a 2,200 square foot addition to the existing 4,280 square foot retail store. The project would be phased with the retail expansion targeted for completion in 2013, and the new wing is targeted for opening in 2016-17.

Governance and Management

General. The Aquarium is operated and controlled by the Corporation. The Corporation is a California nonprofit public benefit corporation, originally formed in October 1992 as the Genesis Long Beach Aquarium Corporation. Pursuant to its Articles of Incorporation, as amended, the Corporation is organized and operated exclusively for educational, scientific and charitable purposes within the meaning of the Code and to assist the City in fulfilling its governmental purposes by acting as an instrumentality of the City within the meaning of Section 141 of the Code. The Corporation's only activity is managing the Aquarium.

The Corporation's bylaws set forth procedures to be followed if there are "substantial deviations" with respect to certain financial benchmarks during any consecutive nine calendar months out of the previous 12 calendar months, inclusive of the current month or, on a projected basis, any nine consecutive calendar months, in each case on a cumulative basis. A substantial deviation can be either actual or based on projections of future events. For this purpose, substantial deviation means (a) a shortfall of Aquarium Operating Revenues exceeding the indicated threshold for the measuring period described in the Lease; or (b) a negative deviation, from the most recent agreed upon budget, in the actual or projected financial results of the Corporation in an amount that exceeds the percentages set forth in the Corporation's bylaws (the "Coverage Requirement"). In the event of a substantial deviation related to the coverage Requirement, the Corporation must obtain City consent to an amended budget that remedies the substantial deviation to the satisfaction of the City within 30 days of the action or report that shows or projects such substantial deviation. In the event the City rejects the action plan (or none is submitted), at the direction of the City, the Corporation will promptly employ an Independent Consultant to make recommendations as to a revision of the capital expenses, or, with respect to an EBITDA (earnings before interest, taxes, depreciation, and amortization prepared on a cash basis) event, revision to rates, fees and charges of the Corporation or the methods of operation of the Corporation that will result in producing EBITDA in such amounts as required by the Budget. The Corporation will, to the extent feasible, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, take such action as will be in conformity with such recommendations.

Under the Corporation's bylaws and the Implementation Agreement, the Corporation may not enter into any Major Commitments without the prior consent of the City. "Major Commitments" means contracts, subleases, concession arrangements or other agreements expected to comprise more than 10% of Aquarium Operating Revenues or expenditures for a period of five or more years. The Corporation must immediately notify the City of any potential or actual event(s) that have a material and negative operational or fiscal impact on the Corporation. In addition, the City has the right to immediately remove any and all members of the Corporation Board (as hereafter defined) and to appoint any and all replacements for those positions if the Corporation Board member(s) fail to comply with the Corporation's bylaws or if there is a Major Deviation from the bylaws. The definition of "Major Deviation" under the Corporation's bylaws, as amended by the Implementation Agreement, "means (a) failure of the Corporation to comply with Lease provision regarding operation of the Aquarium (as amended by the Implementation Agreement); (b) the continuance of a substantial deviation described in the bylaws for two consecutive, non-overlapping, nine-month periods (without regard to any cure pursuant to the provisions of the Corporation's bylaws); or (c) the failure to obtain City consent to a budget for any fiscal year or any required amendment on a timely basis.

Board of Directors and Executive Management. The Corporation is governed by a board of directors (the "Corporation Board") that is currently composed of 27 members. Additions to the Corporation Board are appointed by the Corporation Board and consented to by the City Manager. Members of the Corporation Board do not receive compensation for their service; however, they may be reimbursed for certain business expenses.

The President and Chief Executive Officer ("CEO") of the Corporation implements policy and supervises the planning, development, management and operations of the Aquarium. The CEO reports to the Corporation Board and is a voting member of the Corporation Board. The Corporation is currently organized into eight departments: Development, Education, Finance, Human Resources, Husbandry, Marketing, Operations and Special Projects. All departments report to the CEO. Following are brief biographies of the Executive Officers of the Corporation:

Dr. Jerry Schubel, President and CEO. Dr. Schubel leads the Aquarium as its President and CEO, while also serving as the Director of the Aquarium's Marine Conservation Research Institute and its Aquatic Forum. He is President emeritus of the New England Aquarium, and guided the Marine Sciences Research Center of the State University of New York at Stony Brook for twenty years as Dean and Director, spending three of those years as the University's provost. Dr. Schubel serves on a number of local, regional, state, national, and international boards and committees such as the NOAA Science Advisory Board and the California Ocean Protection Council Science Advisory Team. He holds a B.S. degree from Alma College in Michigan, a Masters of Arts from Harvard University, and a Ph.D. in oceanography from Johns Hopkins University. Dr. Schubel also received an honorary doctorate from the Massachusetts Maritime Academy.

Ms. Barbara Long, Vice President—Government Relations & Special Projects and Corporate Secretary. Ms. Long has been responsible for overseeing the Aquarium's major endeavors since 2000. During her tenure, she directed implementation of major projects such as the shark exhibit, the watershed classroom and exhibit, and the Ocean Science Center. Ms. Long created the first board-approved Aquarium master plan. She is a frequent panelist at professional conferences, is a member of several boards, and serves on the American Zoos and Aquariums green science advisory board. Ms. Long previously was the Deputy Executive Officer for Finance at the Los Angeles County Metropolitan Transportation Authority. She earned an undergraduate degree from Stanford University and an MBA from UCLA.

Mr. Anthony Brown, Vice President—Finance and Chief Financial Officer. Mr. Brown has more than 20 years' experience in accounting and finance at both non-profit and for-profit organizations. He served as Chief Financial Officer for CIGNA Behavioral Care, Intercommunity Child Guidance Center and House of Blues Foundation. Mr. Brown has served on the board of various non-profit organizations. Currently he is a board member for the Conservation Corps of Long Beach. Mr. Brown earned his undergraduate degree from the University of San Francisco and an MBA from the University of Phoenix.

Mr. Perry Hampton, Vice President, Husbandry. Mr. Hampton is the curator of the 11,000-specimen live animal collection at the Aquarium. He is responsible for the care of a wide range of marine fish and invertebrates, mammals, birds, reptiles and amphibians as well as endangered sea otter and sea turtle varieties. Mr. Hampton previously worked at the National Aquarium in Baltimore and the New England Aquarium. He serves on the American Zoos and Aquariums accreditation committee. Mr. Hampton earned his B.S. in Environmental Biology from Long Island University.

Summary of Annual Attendance and Financial Information

Attendance. The following table summarizes the attendance at the Aquarium for the fiscal years ended September 30, 2007 through 2011.

**TABLE B-1
AQUARIUM OF THE PACIFIC
ATTENDANCE
FISCAL YEARS ENDING SEPTEMBER 30, 2007-2011**

Fiscal Year¹	Resident Attendance	Non-Resident Attendance	Total Actual Attendance	Children Under 3	Total Attendance
2007	1,284,000	133,000	1,417,000	n/a	1,417,000
2008	1,333,000	102,000	1,435,000	78,000	1,513,000
2009	1,327,000	123,000	1,450,000	86,000	1,536,000
2010	1,246,000	94,000	1,340,000	89,000	1,429,000
2011	1,266,000	96,000	1,362,000	85,000	1,447,000

¹ October 1 through September 30.
Source: Corporation

Financial Information. The following table summarizes the historical operating revenues and operating expenses of the Corporation for the fiscal years ended September 30, 2007 through September 30, 2011.

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TABLE B-2
AQUARIUM OF THE PACIFIC
SUMMARY OF HISTORICAL OPERATING REVENUES AND EXPENSES
FISCAL YEARS ENDING SEPTEMBER 30, 2007-2011¹

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011²</u>
Operating Revenues					
Admissions	\$15,258,380	\$15,077,552	\$15,779,077	\$14,489,841	\$15,144,954
Membership	3,289,664	3,162,021	3,604,734	3,258,002	3,264,069
Educational Programs	1,354,874	1,304,492	1,141,143	964,647	964,660
Retail Operations (Gross)	4,169,097	4,086,018	3,839,574	3,518,250	3,644,227
Contributions ³	8,633,963	6,150,354	2,802,242	3,535,361	4,384,069
Restaurant and Catering	821,994	723,762	665,586	476,987	491,008
Fundraising Events	516,362	781,470	513,708	423,920	379,094
Donated goods and services	2,293,573	905,902	1,732,006	609,416	680,329
Parking Garage	399,298	1,081,695	1,282,070	1,325,995	1,321,409
Operating Interest	71,329	29,330	17,435	16,859	6,138
Other	<u>739,230</u>	<u>1,017,066</u>	<u>893,473</u>	<u>986,949</u>	<u>873,865</u>
Total Operating Revenues	<u>37,547,764</u>	<u>34,319,662</u>	<u>32,271,048</u>	<u>29,606,227</u>	<u>31,153,822</u>
Operating Expenses					
Salaries, Taxes and Benefits	\$10,937,296	\$11,882,709	\$11,619,740	\$11,618,902	\$12,290,334
Insurance	326,606	287,548	290,320	300,401	248,905
Occupancy	333,034	455,755	474,389	445,489	509,640
Utilities	1,723,411	1,849,950	1,392,421	1,531,787	1,303,785
Husbandry/Animals and Collecting	297,417	354,974	320,433	376,359	386,556
Outside Services	1,838,290	1,881,205	1,602,214	1,553,807	1,571,672
Supplies/Other Expendables	1,770,815	2,338,167	1,436,605	1,527,915	1,535,711
Cost of Goods Sold	1,715,347	1,713,784	1,651,318	1,479,993	1,515,155
Printing and Publishing	591,908	680,552	464,044	484,806	423,134
Advertising and Promotion	3,539,780	2,461,023	2,939,688	2,212,109	2,171,177
Travel, Meals and Training	272,039	294,810	140,158	118,531	189,092
All Other	<u>2,673,033</u>	<u>2,557,094</u>	<u>2,291,784</u>	<u>2,044,315</u>	<u>2,961,844</u>
Total Operating Expenses	<u>26,018,976</u>	<u>26,757,571</u>	<u>24,623,114</u>	<u>23,694,414</u>	<u>25,107,005</u>
Net Operating Revenues	<u>\$11,528,788</u>	<u>\$7,562,091</u>	<u>\$7,647,934</u>	<u>\$5,911,813</u>	<u>\$6,046,817</u>
Consolidated Non-Operating Income & Expenses					
Redevelopment Agency Transfer	\$2,451,694	\$6,151,804	\$5,488,038	\$5,452,846	\$5,578,454
Interest	(3,469,533)	(5,619,316)	(6,016,549)	(5,861,686)	(5,850,726)
Depreciation	<u>(5,251,419)</u>	<u>(5,308,292)</u>	<u>(5,389,539)</u>	<u>(5,200,186)</u>	<u>(5,901,852)</u>
Total Consolidated Non-Operating Income/(Expenses)	<u>(6,269,258)</u>	<u>(4,775,804)</u>	<u>(5,918,050)</u>	<u>(5,609,026)</u>	<u>(6,174,124)</u>
Change in Net Assets	<u>\$5,259,530</u>	<u>\$2,786,287</u>	<u>\$1,729,884</u>	<u>\$302,787</u>	<u>\$(127,307)</u>

¹ Financial information above is presented on a consolidated basis for the twelve months ended September 30, 2007 through 2011. See "APPENDIX C—AQUARIUM OF THE PACIFIC AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009" for an explanation of the consolidating and elimination transactions.

² Fiscal year 2011 financial information is based on unaudited actual results.

³ Certain contributions are restricted as to how they can be used and therefore are not available to be used to pay Section 5.02(c) Rent.

Source: Audited Consolidated Financial Statements of the Aquarium of the Pacific for the fiscal years ended September 30, 2007 through 2010; unaudited actual results for the fiscal year ended September 30, 2011.

Management's Discussion and Analysis

Operating Revenues. Following is a discussion of the major sources of operating revenues for the Aquarium.

Admissions. Admissions include general admissions, discount admissions, group sales, special events and education (school programs). Current general admissions prices are Adult \$24.95, Senior \$21.95 and Children \$13.95. Discount pricing varies with different promotions offered throughout the year. Education program prices for school children are \$6.00 in the fall and winter and \$7.50 in peak spring months. One adult is allowed in at no cost for every 10 school children. The Corporation also includes Children under the age of three in their admission counts.

Membership. Membership sales include new and renewing memberships. Current membership fees are \$115 for a family, \$165 for Family Plus, \$90 for a dual, \$55 for an individual, \$80 for a senior couple, and \$45 for a senior individual. The Corporation expects membership revenues to increase through a combination of membership promotions, targeting lapsed members and new sales campaigns.

Retail Operations. The gift store sells mission related memorabilia and education materials. Gift store revenues for Fiscal Year 2011 were \$3,644,000 (gross).

Education Programs. The Aquarium offers an array of educational programming dedicated to informing the public about the impact of human activity on the environments represented. The Aquarium serves public and private schools K-12 throughout southern California with California standards based classroom programs. Education program revenues for Fiscal Year 2011 were \$964,660.

Contributions. Contributions and grants are classified as individual, corporate, foundation or government. Individual and corporate donations and corporate sponsorship growth are key components of management's business plan. In addition to ongoing efforts to solicit contributions, the Corporation holds an annual fundraising event recognizing individuals for their conservation and/or environmental contributions. In Fiscal Year 2010, more than 350 people attended this annual event and the Corporation received approximately \$249,000 in gross revenues from the event. In Fiscal Year 2011, more than 450 people attended the annual event and the Corporation received approximately \$223,000 in gross revenues from the event.

Contribution and fundraising results are difficult to project for various reasons, including the voluntary nature of charitable contributions, the effect of the general and local economy on contributions, and the effectiveness of the marketing of a capital campaign. The Corporation received approximately \$4.0 million in contributions in Fiscal Year 2010. The Corporation received approximately \$4.8 million in contributions and support in Fiscal Year 2011. The Corporation has set a goal to receive approximately \$4.1 million in contributions and support in Fiscal Year 2012. The Corporation believes that its contribution and fundraising projections are achievable with continued focus on this activity by the Corporation's management and the Corporation Board.

Parking Garage. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Lease; Rental Payments" above for a discussion of the Parking Agreement and the Parking Revenues.

Restaurant and Catering. The Aquarium records a commission on sales made at the restaurant and at the indoor and outdoor food outposts managed by SMG. The base commission varies with the Aquarium's attendance. The lowest commission rate is currently 10%. Catering revenue is also received from special events. SMG has an exclusive catering contract with the Corporation, and holds the liquor

license and must provide liquor services if offered. Revenue is also received for school lunches as an optional add-on to the school education programs.

Donated Goods and Services. The Corporation records various types of in-kind support, including donated professional services and supplies. Contributed professional services are recognized if the services received create or enhance long-lived assets, or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation or receipt of operating goods or services such as advertising that would otherwise require additional cash expenditures. Contributions of tangible assets are recognized at fair market value when received. A substantial number of unpaid volunteers have made significant contributions of their time that does not meet these two recognition criteria. Accordingly, the value of this donated time is not reflected in the financial statements of the Corporation.

Operating Expenses. Following is a discussion of the major operating expenses for the Aquarium.

Salaries, Taxes and Benefits. The Corporation currently has a staff of approximately 140 full-time employees and approximately 160 part-time employees. Salaries and associated payroll taxes are expected to grow at approximately 2% annually. Personal taxes and benefits expenditures are projected to be approximately 24% of total salaries in Fiscal Year 2012.

The Corporation offers a 457 plan (the "Plan") covering substantially all employees. For the years ending September 30, 2011 and 2010, participants in the Plan could make contributions up to 15% of their base salary. The Corporation contributes an additional amount equal to 25% of the first 4% of each participant's Plan contribution, plus actual earnings thereon. Total contributions to the Plan, including the contribution by the Corporation, may not exceed \$16,500 for the years ending September 30, 2011 and 2010. Participants are 100% vested in their Plan contributions plus actual earnings thereon. The Corporation's contribution was \$54,922 and \$53,184 for the years ended September 30, 2011 and 2010, respectively.

Husbandry/Animals and Collecting. Expenses associated with Husbandry/Animals and Collecting include staffing and other expenses related to selecting, procuring and maintaining the live animal and plant collections for every exhibit tank of the Aquarium and research into animal reproduction in captivity to protect against extinction of certain animal species.

Advertising and Promotion. Advertising and Promotion expenses include staffing and other expenses related to generating admission sales, attendance, and promoting public awareness of the Aquarium's mission.

Cost of Goods Sold. Expenses associated with Cost of Goods Sold include cost of goods (i.e. cost of merchandise and freight) sold in the Aquarium gift store.

Financial Statements of the Corporation. The audited consolidating financial statements of the Corporation for the fiscal year ended September 30, 2010 (the "Corporation's 2010 Audited Financial Statements") are included as Appendix C attached hereto. The Corporation's 2010 Audited Financial Statements were audited by KPMG LLP, Long Beach, California, independent certified public accountants, whose report with respect thereto also appears in Appendix C hereto. None of the Authority, the City or the Corporation requested, nor did the Authority, the City or the Corporation obtain, permission from KPMG LLP to include the Corporation's 2010 Audited Financial Statements as an appendix to this Official Statement. In addition, KPMG LLP has not performed any post-audit review of the financial condition or operations of the Corporation and has not reviewed this Official Statement.

Fiscal Year 2012 Budget. The Corporation is obligated to provide to the Authority and the Trustee, not later than the first day of each fiscal year during the term of the Lease, a budget for the upcoming fiscal year, as consented to by the City, setting forth estimated Aquarium Operating Revenues and operating and maintenance expenses of the Corporation and other costs and expenses of the Corporation, separately stated, to be paid for such fiscal year. The Corporation's budget is subject to approval each year by the City. The City has agreed that it will not withhold its consent to any budget (or budget amendment) solely on the basis of the shortfall of the resulting earnings before interest, taxes, depreciation and amortization submitted in good faith by the Corporation and which meets each of the following parameters:

(a) such budget will provide for a capital component of operating and maintenance expenses equal to the percentage of Aquarium Operating Revenues for each fiscal year as shown in the Implementation Agreement and, if different than as shown in the Implementation Agreement, with prior City consent;

(b) such budget will provide for Aquarium Operating Revenues at least sufficient to pay all projected operating and maintenance expenses of the Corporation and Section 5.02(c) Rent (subject to clause (c) of this paragraph, Aquarium Operating Revenues available after the payment of (a) and (b) above will be budgeted: (i) as Program Reinvestment Costs; and (ii) 50% as Additional Section 5.02(c) Rent and 50% as In Lieu Renewal Operating and Maintenance Expenses);

(c) budgeted Aquarium Operating Revenues as set forth in this paragraph will include up to \$1,500,000 in Parking Revenues in each fiscal year payable to the Corporation pursuant to the Parking Agreement, as set forth in the Implementation Agreement. In the event that actual Parking Revenues paid in any fiscal year are less than the amount of Parking Revenues as set forth in the Implementation Agreement for such fiscal year, the Corporation and the City have agreed that the budget will be amended pursuant to the Lease and this paragraph and further City consent to such amendment will not be required, so that the budgeted uses of Aquarium Operating Revenues are decreased by no more than the amount of the difference between budgeted and actual paid Parking Revenues in the following order until the revised budget is balanced: (i) 50% to Additional Section 5.02(c) Rent and 50% to In Lieu Renewal Operating and Maintenance Expenses, (ii) Program Reinvestment Costs and (iii) Section 5.02(c) Rent. In the event that Section 5.02(c) Rent is reduced pursuant to clause (iii) of this paragraph, and the Corporation subsequently amends the budget to include additional Aquarium Operating Revenues, the Corporation will increase Section 5.02(c) Rent by the amount of such reduction prior to using such additional Aquarium Operating Revenues for any other purpose; and

(d) the City has agreed it will not withhold its consent to any budget (or budget amendment) solely on the basis of the amount of operating and maintenance expenses if the budgeted operating and maintenance expenses as a percent of budgeted Aquarium Operating Revenues is within 5% of the budgeted operating and maintenance expenses as a percent of Aquarium Operating Revenues for the previous fiscal year.

The Corporation's fiscal year 2012 budget (the "2012 Budget"), contains the following key budget assumptions: (i) attendance will be flat compared to Fiscal Year 2011; (ii) revenues will increase approximately 3% (as compared to actual projections for fiscal year 2011) to approximately \$28.6 million; (iii) discounts on group sales, promotion prices applied to child and adult admissions, and complimentary admission will be reduced, (iv) Parking Revenues will increase by approximately \$71,000 over Fiscal Year 2011, (v) expenditures will increase approximately 2% (as compared to actual projections for fiscal year 2011) to approximately \$27.0 million, (vi) personnel costs will increase for 2%

merit, the full year cost of certain positions filled in 2011, and market-driven benefit costs, and (vii) non-personnel expenses will increase for energy costs related to additional projects and annualizing impact of one time energy rebate in 2011. Operating capital expenditures are budgeted at 5% of operating revenues in accordance with the Implementation Agreement. The 2012 Budget includes full payment by the Corporation of the Section 5.02(c) Rent of \$3,528,000. The 2012 Budget has not yet been approved by the City.

Insurance. As provided in the Lease, the Corporation has covenanted to procure and maintain, or cause to be procured and maintained during the term of the Lease, certain insurance on the Aquarium and the operations of the Aquarium. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Lease.”

The Corporation is not obligated under the Lease to maintain earthquake insurance. The Corporation has been granted a waiver on earthquake insurance coverage because such coverage cannot be obtained at a reasonable cost. See “RISK FACTORS—Seismic Risks.” Additionally, the Corporation is not required to and does not maintain flood insurance.

APPENDIX C

**AQUARIUM OF THE PACIFIC
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

APPENDIX D

ECONOMIC AND DEMOGRAPHIC DATA OF THE CITY OF LONG BEACH

General

The City of Long Beach (the "City") is a municipal corporation and chartered city of the State of California (the "State") and encompasses approximately 52 square miles of coastal area located on the southern edge of Los Angeles County (the "County"). With a current population of approximately 463,894, 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 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 Charter of the City of Long Beach (the "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 5,430 persons within 21 departments. The police department consists of approximately 1,250 uniformed officers and supporting personnel. The fire department operates 23 fire stations with approximately 544 firefighters, officers and employees.

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

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

Population

The City's population as of January 1, 2011, was estimated to be 462,257 persons. This figure represents 4.7% of the corresponding County figure and 1.2% of the corresponding State figure. The City's population increased 37.8% during the four decades between 1970 and 2010. The following table sets forth the City's population growth relative to the population of the County and the State. Population data for 2007- 2011 are as of January 1, while the census amounts for 1970, 1980, 1990 and 2000 are as of April 1.

TABLE D-1
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>
1970	358,879	7,041,980	19,971,068
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
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	9,818,605	37,253,956

Source: California State Department of Finance

Personal Income

The following chart sets forth the yearly total effective buying income and the median household effective buying income for the City, the County and the State of California for the periods of 2006 through 2010:

**TABLE D-2
City of Long Beach,
County of Los Angeles and State of California
Personal Income 2006-2010**

Year	Area	Total Effective Buying Income (in Thousands)	Median Household Effective Buying Income
2006	City of Long Beach	\$ 7,875,111	\$35,493
	Los Angeles County	180,131,260	40,335
	State of California	720,803,929	44,890
2007	City of Long Beach	8,293,722	37,069
	Los Angeles County	190,915,435	41,966
	State of California	764,120,962	46,324
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

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 D-3
County of Los Angeles
Average Employment by Industry
2006-2010

Industry	2006	2007	2008	2009	2010
Agriculture	7,600	7,500	6,900	6,200	6,400
Natural Resources and Mining	4,000	4,400	4,400	4,100	4,200
Construction	157,500	157,600	145,100	117,300	104,300
Manufacturing	461,700	449,200	434,800	389,200	374,200
Wholesale Trade	225,700	227,000	223,700	204,500	202,900
Retail Trade	423,300	426,000	416,500	387,000	385,200
Transportation, Warehousing and Utilities	165,200	165,600	163,100	151,200	150,300
Information	205,600	209,800	210,300	191,200	192,400
Financial Activities	248,800	246,000	235,700	216,000	209,200
Professional/Business Services	598,900	605,400	582,600	529,800	526,100
Education/Health Services	478,700	490,500	503,400	514,600	522,700
Leisure/Hospitality	388,600	397,900	401,600	385,600	384,600
Other Services	145,200	147,100	146,100	137,900	136,300
Government	<u>589,400</u>	<u>595,700</u>	<u>603,700</u>	<u>595,800</u>	<u>576,600</u>
Total Wage and Salary	<u>4,100,100</u>	<u>4,129,600</u>	<u>4,077,600</u>	<u>3,830,300</u>	<u>3,775,300</u>

Source: Employment Development Department, Labor Market Division

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

TABLE D-4
County of Los Angeles, State of California and United States
Labor Force, Employment and Unemployment Annual Average

Year	Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate (%)
2006	Los Angeles County	4,808,600	4,578,700	229,900	4.8%
	State of California	17,686,700	16,821,300	865,400	4.9
	United States	151,428,000	144,427,000	7,001,000	4.6
2007	Los Angeles County	4,874,600	4,626,900	247,600	5.1%
	State of California	17,928,700	16,970,200	958,500	5.3
	United States	153,124,000	146,047,000	7,078,000	4.6
2008	Los Angeles County	4,930,900	4,563,200	367,600	7.5%
	State of California	18,191,000	16,883,400	1,307,600	7.2
	United States	154,287,000	145,362,000	8,924,000	5.8
2009	Los Angeles County	4,900,100	4,336,600	563,500	11.5%
	State of California	18,204,200	16,141,500	2,062,700	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	Los Angeles County	4,879,500	4,262,300	617,200	12.6%
	State of California	18,176,200	15,916,300	2,259,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6

Source: State of California Employment Development Department and U.S. Department of Labor – Bureau of Labor Statistics

As of August 2011, the County had an unemployment rate of 12.7% and the State had an unemployment rate of 11.9%, according to the State of California Employment Development Department. According to the U.S. Department of Labor, Bureau of Labor Statistics, the United States had an unemployment rate of 9.1%. as of October 2011.

Major Employers

The largest employer in the City is the Long Beach Unified School District, employing approximately 7,846 people. The Long Beach Unified School District serves approximately 84,812 students. The second largest employer in the City is The Boeing Company (“Boeing”), with facilities at the Long Beach Airport, employing approximately 7,100 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 D-5
City of Long Beach
Major Employers as of September 30, 2010

<u>Employer</u>	<u>Number of Employees</u>
1. Long Beach Unified School District	7,846
2. The Boeing Company*	7,100
3. California State University, Long Beach	6,599
4. City of Long Beach	5,466
5. Long Beach Memorial Medical Center	5,105
6. Long Beach City College	1,664
7. United States Postal Service	1,471
8. St. Mary's Medical Center	1,461
9. Veteran's Affairs Medical Center	1,200
10. Verizon	1,200

* In January 2011, The Boeing Company announced plans to cut approximately 900 jobs at its Long Beach plant, but also indicated that it may close the Long Beach plant as early as calendar year 2012. In June 2011, The Boeing Company announced an extension of C-17 production due to an order of ten new C-17s by the government of India, which would extend the timeline for closure of the Long Beach plant by approximately one year. The City cannot predict what impact the potential layoffs or potential closure of the Long Beach plant would have on the future revenues of the City.

Source: City of Long Beach

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 of Long Beach (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 850,822 square feet with a diverse mix of business tenants. As of June 2011, the Kilroy Realty Corporation reported the total market vacancy rate at the Kilroy Airport Center to be [14.5%]. 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 Kilroy Realty Corporation also reported that its long-term revitalization plans at the Kilroy Airport Center include the redevelopment of an additional 98,000 square foot site, to be completed in 2012 with a stabilized occupancy projected in June 2013.]

The following table sets forth the City's transient occupancy tax receipts (currently computed at 12%) during the period from Fiscal Years 2006 through 2010.

TABLE D-6
City of Long Beach
Transient Occupancy Tax Receipts
Fiscal Years 2006 through 2010
(in Millions)

Fiscal Year	Transient Occupancy Tax Receipts
2006	\$16.5
2007	18.3
2008	18.3
2009	14.6
2010	15.5

Source: City of Long Beach

Taxable sales transactions in the City fluctuated up and down between Fiscal Years 2006 and 2010; however, taxable sales transactions increased 4.5% between Fiscal Years 2009 and 2010. The following table illustrates the City's annual volume of taxable transactions from Fiscal Years 2006 through 2010.

TABLE D-7
City of Long Beach
Taxable Sales
Fiscal Years 2006 through 2010
(in Thousands)

Type of Business	2006*	2007	2008	2009	2010
Apparel Stores	\$ 149,357	\$ 150,119	\$ 145,602	\$ 130,464	\$ 128,877
General Merchandise Stores	302,746	319,674	314,243	305,002	300,479
Drug Stores	72,209	76,901	77,306	75,859	77,571
Food Stores	220,502	225,109	246,601	214,782	221,062
Packaged Liquor	30,186	29,742	35,909	37,210	37,585
Eating/Drinking Places	647,951	685,944	684,793	661,528	632,733
Home Furnishings and Appliances	98,945	98,069	88,166	79,969	68,842
Building Materials and Farm Implements	822,589	950,450	859,638	938,501	1,197,011
Auto Dealers/Auto Supplies	309,628	313,617	264,373	279,669	272,820
Service Stations	485,523	507,833	586,069	491,491	625,517
Other Retail Stores	479,519	477,026	415,493	376,469	337,634
Retail Stores Totals	<u>\$3,619,155</u>	<u>\$3,834,484</u>	<u>\$3,718,193</u>	<u>\$3,590,942</u>	<u>\$3,900,131</u>
All Other Outlets	926,674	912,021	998,099	829,510	718,317
Total All Outlets	<u>\$4,545,829</u>	<u>\$4,746,505</u>	<u>\$4,716,292</u>	<u>\$4,420,452</u>	<u>\$4,618,447</u>

* Restated prior years. Recent consultant source modified methodology revising amounts among categories and totals.
Source: City of Long Beach Summary Financial Information Statement for Fiscal Year 2010

Construction

The City issued building permits valued at approximately \$272 million during Fiscal Year 2011. Of this total, approximately 40.6% consisted of residential construction and approximately 59.4% consisted of non-residential construction. The City's annual permit values since Fiscal Year 2007 are set forth below:

TABLE D-8
City of Long Beach
Building Permit Valuations
Fiscal Years 2006 through 2010
(in Thousands)

Type of Permit	2007	2008	2009	2010	2011
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 – Development Services Department

Visitor and Convention Business

Tourism has long been a significant factor in the City's economy, and remain 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 June 2011, PKF Consulting USA reported that the City's hotels have increased their average rate by 4.5%, daily occupancy has increased 8.3% and revenue per available room has increased 13.3%.

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 D-9
City of Long Beach
Convention and Delegate Attendance**

Calendar Year	Number of Conventions	Number of Delegates
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: Long Beach Area Convention and Visitors Bureau.

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. As of [____], 2011, downtown Long Beach had a [17.7%] vacancy rate on office space, and an [11.7%] 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 1%.

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. As of [____], 2011, The Pike at Rainbow Harbor had a total market vacancy rate of [17%].

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. See "THE AQUARIUM" in the forepart of this Official Statement.

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 a harbor complex located two miles from open sea in an 11.9-square mile area (within the City and on 359 acres of the City of Los Angeles adjacent to the City. The Port is held in trust by the City pursuant to certain tideland and submerged land grants from the State to the City and is operated by the Harbor Department of the City of Long Beach (the "Harbor Department"). The Harbor Department was created in 1931 by an amendment to the City Charter. The Port is operated and managed by the Harbor Department. Pursuant to the City Charter, exclusive control and management of the Harbor Department has been conferred on the Board of Harbor Commissioners of the City. See "THE PORT OF LONG BEACH" in the forefront of this Official Statement.

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 (doing business as Delta Connection) and Horizon Air, and (ii) cargo flights operated by Federal Express and United Parcel Service.

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 Airport is landlord to almost 150 other businesses, mainly in the aviation and aerospace industry.

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

TABLE D-10
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 2010

Utilities

In 1931, an amendment to the City Charter 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 26,568 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 D-11
City of Long Beach
Educational Enrollment

Year	Long Beach Unified School District ¹	Long Beach City College ²	California State University (Long Beach) ³
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	26,568	31,999

¹ Source: Long Beach Unified School District Adopted Budget FY 2011-12. 2011 is projected.

² Source: Long Beach City College – Spring 2011 College Facts.

³ Source: California State University (Long Beach) – as of January 1, 2012.

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 0.98% of the City's total assessed valuation. The largest taxpayer is The Boeing Company, which had an assessed valuation as of September 30, 2010 of approximately \$404 million. The City's top 10 principal taxpayers are presented in the following table.

**TABLE D-12
City of Long Beach
Major Taxpayers
as of September 30, 2010**

Taxpayer	Industry	Assessed Valuation (in Thousands)*	Percentage of Total Net Assessed Valuation
1. The Boeing Company	Industry	\$ 404,057	0.98%
2. AES Alamos LLC	Power Plant	226,400	0.55
3. Legacy Partners II LB World Trade LLC	Office Building	153,840	0.37
4. Camden Realty Inc.	Office Building	137,021	0.33
5. Trizechahn Colony Square GO LLP	Apartments	114,340	0.28
6. GRE Shoreline Square LP	Industrial	94,605	0.23
7. 200 Oceangate LLC	Real Estate	94,100	0.23
8. ARCO Terminal Services Corp	Industrial	87,271	0.21
9. Nobel Utah Long Beach LLC	Hotel	87,019	0.21
10. Advanced Group 05-86	Apartments	81,809	0.20
Total		\$1,480,462	3.59%

* 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 2010, California Municipal Statistics, Inc.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

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

OPINION: \$ _____ Long Beach Bond Finance Authority 2012 Refunding Revenue Bonds (Aquarium of the Pacific Project)

Board of Directors:

We have acted as bond counsel to the Long Beach Bond Finance Authority (the "Authority") in connection with the issuance by the Authority of its \$ _____ principal amount of Long Beach Bond Finance Authority 2012 Refunding Revenue Bonds (Aquarium of the Pacific Project) (the "Bonds"). The Bonds are being issued pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law"), a resolution adopted by the Board of Directors of the Authority on _____, 2011 (the "Resolution"), and an Indenture of Trust, dated as of March 1, 2012 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The Bonds are being issued to refund certain outstanding bonds of the Authority that were issued to refund bonds issued to finance the acquisition and construction by the Aquarium of the Pacific, a California nonprofit public benefit corporation (the "Corporation") of an aquarium facility located in the City of Long Beach, California (the "City").

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

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

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Authority and are legal, valid and binding limited obligations of the Authority, payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.
4. Pursuant to the Refunding Law, the Indenture establishes a valid lien on and pledge of the Pledged Revenues (as such term is defined in the Indenture) for the security of the Bonds.

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

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

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

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

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

Respectfully submitted,

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated March __, 2012 (this "Certificate"), is executed and delivered by and between the City of Long Beach, California (the "City") and the Aquarium of the Pacific, a California nonprofit public benefit corporation (the "Corporation," and together with the City, the "Participants") in connection with the issuance of \$_____ Long Beach Bond Finance Authority 2012 Refunding Revenue Bonds (Aquarium of the Pacific Project) (the "Series 2012 Bonds"). The Series 2012 Bonds were issued pursuant to the Indenture of Trust, dated as of March 1, 2012 (the "Indenture"), by and between the Long Beach Bond Finance Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series 2012 Bonds were issued under and in accordance with Chapter 5 of Division 7 of Title I (commencing with Section 6500 of the California Government Code).

In consideration of the purchase of the Series 2012 Bonds by the Participating Underwriter (as defined below), the Participants covenant and agree as follows:

Section 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Participants for the benefit of the Owners and Beneficial Owners of the Series 2012 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

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

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

"Beneficial Owner" means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2012 Bonds (including persons holding Series 2012 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2012 Bonds for federal income tax purposes.

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

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

"Harbor Department" means the Harbor Department of the City of Long Beach, and any successor thereto.

"Listed Events" means any of the events listed in Section 5 of this Certificate.

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

“*Obligated Person*” means collectively, the City and the Corporation.

“*Official Statement*” means the Official Statement, dated _____, 2012, prepared and distributed in connection with the initial sale of the Series 2012 Bonds.

“*Owners*” means either the registered owners of the Series 2012 Bonds, or if the Series 2012 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

“*Participating Underwriter*” means any of the original underwriters of the Series 2012 Bonds required to comply with the Rule in connection with the offering of the Series 2012 Bonds.

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

“*State*” means the State of California.

Section 3. Provision of Annual Reports.

(a) Each of the City and the Corporation will provide, or will cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 hereof by not later than 210 days after the end of the City’s and the Corporation’s fiscal year in each fiscal year. The City’s first Annual Report will be due [____], 201[3]. The Corporation’s first Annual Report will be due [____], 201[3]. Not later than 15 Business Days prior to said date, the City will provide its Annual Report to the Dissemination Agent (if other than the City); and not later than 15 Business Days prior to said date, the Corporation will provide or cause to be provided its Annual Report to the Dissemination Agent. Each of the Annual Reports may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate. The audited financial statements of the Harbor Department and the Corporation may be submitted separately from the balance of the respective Annual Reports if they are not available by the date of submission, provided such financial statements are submitted within 210 days after the end of the City’s and the Corporation’s fiscal year. If the City’s or the Corporation’s fiscal year changes, the City and/or the Corporation, upon becoming aware of such change, will give notice (or cause notice to be given) of such change in the same manner as for a Listed Event under Section 5(e) hereof.

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

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

or the Dissemination Agent, its Annual Report by the date required in subsection (a), the Corporation will send (or cause to be sent) a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A, as applicable.

(d) The Dissemination Agent (if other than the City) will confirm in writing to the City and the Corporation that the Annual Report has been filed as required hereunder, stating the date filed.

Section 4. Content of Annual Reports.

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

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

(ii) [Insert Tables to be updated].

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

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

(ii) [Insert Tables to be updated].

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

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such

fiscal year will explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report will present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

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

Section 5. Reporting of Significant Events.

(a) The City and/or the Corporation, as applicable, will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2012 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions with respect to the tax status of the Series 2012 Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Series 2012 Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of one or more of the Obligated Persons;

Note: for the purposes of the event identified in subparagraph (9), 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 applicable Obligated Person.

(b) The City or the Corporation, as applicable, will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2012 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2012 Bonds or other material events affecting the tax status of the Series 2012 Bonds;

2. Modifications to rights of the Owners of the Series 2012 Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Series 2012 Bonds;

5. Non-payment related defaults;

6. 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

7. Appointment of a successor or additional trustee or the change of name of a trustee;

(c) The City or the Corporation, as applicable, will give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3.

(d) Whenever the City or the Corporation obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City or the Corporation, as applicable, will determine if such event would be material under applicable federal securities laws.

(e) If the City or the Corporation learns of an occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City or the Corporation, as applicable, will 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)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2012 Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Participants' obligations under this Certificate will terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2012 Bonds, or upon delivery to the Dissemination Agent (if

other than the City) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Series 2012 Bonds, the City and the Corporation will give (or cause to be given) notice of such termination in the same manner as for a Listed Event under Section 5(e).

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

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Series 2012 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2012 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2012 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2012 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the City and/or the Corporation will describe such amendment in their next Annual Report, as applicable, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City and/or the Corporation, as applicable. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate will be deemed to prevent the City or the Corporation from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the City or the Corporation chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate,

neither the City nor the Corporation will have any obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City or the Corporation to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Series 2012 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City and/or the Corporation or the Dissemination Agent (if other than the City), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate will not be deemed an Event of Default under the Indenture and the sole remedy under this Certificate in the event of any failure of the City, the Corporation or the Dissemination Agent (if other than the City) to comply with this Certificate will be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent will have only such duties as are expressly and specifically set forth in this Certificate, and the City and the Corporation agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Indenture. The obligations of the City and the Corporation under this Section will survive resignation or removal of the Dissemination Agent and payment of the Series 2012 Bonds.

Section 12. Beneficiaries. This Certificate will inure solely to the benefit of the City, the Corporation, the Dissemination Agent, the Participating Underwriter and the Owners and the Beneficial Owners from time to time of the Series 2012 Bonds, and will create no rights in any other person or entity.

IN WITNESS WHEREOF, the City and the Corporation have caused this Continuing Disclosure Certificate to be executed in their respective names by their duly authorized officers as of the date first written above.

CITY OF LONG BEACH, CALIFORNIA

By _____
Name _____
Title _____

AQUARIUM OF THE PACIFIC

By _____
Name _____
Title _____

EXHIBIT A

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

Name of Issuer: Long Beach Bond Finance Authority
Name of Obligated Party: City of Long Beach, California
Name of Bond Issue: Long Beach Bond Finance Authority 2012 Refunding Revenue
Bonds (Aquarium of the Pacific Project)
Date of Issuance: March __, 2012
CUSIP: 542402 ____

NOTICE IS HEREBY GIVEN that the City of Long Beach (the "City") has not provided an Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated March __, 2012, executed by the Long Beach Bond Finance Authority, Corporation and the City for the benefit of the owners and beneficial owners of the above referenced Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF LONG BEACH, CALIFORNIA

By _____
Authorized Representative

Name of Issuer: Long Beach Bond Finance Authority
Name of Obligated Party: Aquarium of the Pacific
Name of Bond Issue: Long Beach Bond Finance Authority 2012 Refunding Revenue Bonds (Aquarium of the Pacific Project)
Date of Issuance: March __, 2012
CUSIP: 542402__

NOTICE IS HEREBY GIVEN that the Aquarium of the Pacific (the "Corporation") has not provided an Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated March __, 2012, executed by the Long Beach Bond Finance Authority, Corporation and the City of Long Beach, California for the benefit of the owners and beneficial owners of the above referenced Bonds. The Corporation anticipates that the Annual Report will be filed by _____.

Dated: _____

AQUARIUM OF THE PACIFIC

By _____
Authorized Representative

APPENDIX H

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The Authority, the City, the Corporation, the Trustee and the Underwriters do not any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2012 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NONE OF THE AUTHORITY, THE CITY, THE CORPORATION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2012 BONDS UNDER THE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2012 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2012 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2012 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Series 2012 Bonds will be delivered in book-entry only form. DTC will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2012 Bond certificate will be issued for each maturity of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also

available to others such as both U.S. and non-U.S. securities brokers and dealers; banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of "AA+." The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The Authority, the City and the Corporation have not undertaken any responsibility for and make no representations as to the accuracy or the completeness of the content of such material contained on the websites described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption Notices will be sent to DTC. If less than all of the Series 2012A within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority, the Corporation or the Trustee on the payable date in accordance with

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

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Authority and the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2012 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2012 Bonds will be printed and delivered to the registered owners of the Series 2012 Bonds.

The information in this Appendix H concerning DTC and DTC's book-entry system has been obtained from sources that the Authority, the City and the Corporation believe to be reliable, but none of the Authority, the City or the Corporation or the Underwriters take any responsibility for the accuracy thereof.