

**NEW ISSUES - BOOK-ENTRY ONLY**

**Ratings: (See "RATINGS" herein)**

*In the opinion of Kutak Rock LLP, Bond Counsel to the City, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2010A Bond for any period during which such Series 2010A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2010A Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that interest on the Series 2010 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Series 2010 Bonds is exempt from all present State of California personal income taxes. For a more complete description, see "TAX MATTERS" herein.*

[City Logo]

\$[\_\_\_\_\_]\*  
**CITY OF LONG BEACH, CALIFORNIA**

\$[\_\_\_\_\_]\*  
**Senior Airport Revenue Bonds  
Series 2010A  
(Private Activity)**

\$[\_\_\_\_\_]\*  
**Senior Airport Revenue Bonds  
Series 2010B  
(Governmental)**

**Dated: Date of Delivery**

**Due: June 1, as shown on the inside cover**

The City of Long Beach, California (the "City") is issuing its City of Long Beach, California Senior Airport Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), and City of Long Beach, California Senior Airport Revenue Bonds, Series 2010B (the "Series 2010B Bonds," and together with the Series 2010A Bonds, the "Series 2010 Bonds") to (a) finance certain capital improvements at Long Beach Airport (the "Airport"), (b) refund all of its outstanding Subordinate Airport Commercial Paper Notes, (c) make a deposit to the Senior Reserve Fund, (d) fund a portion of the interest accruing on a portion of the Series 2010 Bonds, and (e) pay the costs of issuance of the Series 2010 Bonds, as described herein. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 2010 Bonds are special limited obligations of the City, payable solely from and secured by (a) a pledge of Net Revenues, which include certain income and revenue received by the City from the operations of the Enterprise and the Airport (including PFC Revenues), less all amounts that are required to pay Maintenance and Operation Costs of the Enterprise, and (b) such other amounts, funds and accounts pledged under the Senior Indenture. The Series 2010 Bonds are being issued with a pledge of and lien on Net Revenues (not including any PFC Revenues) on a parity with the Series 2009 Bonds, which as of October 1, 2010 were outstanding in the aggregate principal amount of \$60,585,000. The Senior Indenture provides that the City may issue additional Senior Bonds secured by Net Revenues (including PFC Revenues, if applicable) on a parity basis with the Series 2010 Bonds and the Series 2009 Bonds.

**THE SERIES 2010 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY, PAYABLE FROM A LIEN ON NET REVENUES (INCLUDING PFC REVENUES), AS DESCRIBED HEREIN. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2010 BONDS. NONE OF THE PROPERTIES OF THE ENTERPRISE AND THE AIRPORT ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN (EXCEPT FOR THE LIEN CREATED BY THE SENIOR INDENTURE ON THE NET REVENUES) FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2010 BONDS.**

Interest on the Series 2010 Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2011. The Series 2010 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2010 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 2010 Bonds. So long as the Series 2010 Bonds are held by DTC, the principal of and interest on the Series 2010 Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners of the Series 2010 Bonds, as more fully described herein. See "APPENDIX F—BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2010 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SERIES 2010 BONDS—Redemption Provisions" herein.

The purchase and ownership of the Series 2010 Bonds involve investment risk and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the Series 2010 Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS" herein. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

*The Series 2010 Bonds are offered, when, as and if issued by the City, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the City, and to certain other conditions. Certain matters will be passed upon for the City by the City Attorney, and certain legal matters will be passed upon for the City by Kutak Rock LLP, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. It is expected that the Series 2010 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about November 23, 2010.*

**Morgan Stanley**

**Siebert Brandford Shank & Co., LLC**

Date of Official Statement: \_\_\_\_\_, 2010

\* Preliminary; subject to change.  
4844-8546-7398.7

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

**MATURITY SCHEDULE**

\$[\_\_\_\_\_] \*  
**City of Long Beach, California**  
**Senior Airport Revenue Bonds**  
**Series 2010A**  
**(Private Activity)**

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <sup>1</sup>
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\$ \_\_\_\_\_ % Term Bonds due June 1, 20\_\_\_\_, Yield: \_\_\_\_\_%; CUSIP Number<sup>1</sup>: \_\_\_\_\_

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\$[\_\_\_\_\_] \*  
**City of Long Beach, California**  
**Senior Airport Revenue Bonds**  
**Series 2010B**  
**(Governmental)**

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <sup>1</sup>
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\$ \_\_\_\_\_ % Term Bonds due June 1, 20\_\_\_\_, Yield: \_\_\_\_\_%; CUSIP Number<sup>1</sup>: \_\_\_\_\_

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\* Preliminary; subject to change.

<sup>1</sup> Copyright 2010, American Bankers Association. CUSIP data was provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies Inc. CUSIP numbers are provided only for the convenience of the reader. Neither the City nor the Underwriters take any responsibility for any changes to or errors in this list of CUSIP numbers.

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

**MAYOR AND CITY COUNCIL**

Bob Foster,  
Mayor

Suja Lowenthal,  
Second District, Vice Mayor

Robert Garcia, First District  
Gary DeLong, Third District  
Patrick O'Donnell, Fourth District  
Gerrie Schipske, Fifth District

Dee Andrews, Sixth District  
James Johnson, Seventh District  
Rae Gabelich, Eighth District  
Steven Neal, Ninth District

**CITY OFFICIALS**

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

**LONG BEACH AIRPORT  
SENIOR STAFF MEMBERS**

Mario Rodriguez	Airport Director
Claudia Lewis	Administrative Officer
Juan López-Rios	Leasing & Business Development Officer
Fred Peña	Superintendent Airport Operations
Nancy Trent	Facilities Management Officer
Lt. John Blood	Acting Superintendent of Safety
Mario Fabila	Noise Compliance Officer

**PROFESSIONAL SERVICES**

Kutak Rock LLP  
*Bond Counsel and Disclosure Counsel*

Gardner, Underwood & Bacon LLC  
*Financial Advisor*

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

Ricondo & Associates, Inc.  
*Airport Consultant*

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2010 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City or the Airport or the other matters described herein since the date hereof.

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

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

In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved. This Official Statement is submitted in connection with the sale of the Series 2010 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Series 2010 Bonds.

THE SERIES 2010 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 SENIOR INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2010 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 THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2010 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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## OFFICIAL STATEMENT

relating to

[\$[\_\_\_\_\_]]\*  
**City of Long Beach, California**  
**Senior Airport Revenue Bonds**  
**Series 2010A**  
**(Private Activity)**

[\$[\_\_\_\_\_]]\*  
**City of Long Beach, California**  
**Senior Airport Revenue Bonds**  
**Series 2010B**  
**(Governmental)**

### INTRODUCTION

#### General

This Official Statement, which includes the cover page and the Appendices hereto, provides information with respect to the \$[\_\_\_\_\_]\* City of Long Beach, California Senior Airport Revenue Bonds, Series 2010A (the “Series 2010A Bonds”), and the \$[\_\_\_\_\_]\* City of Long Beach, California Senior Airport Revenue Bonds, Series 2010B (the “Series 2010B Bonds,” and together with the Series 2010A Bonds, the “Series 2010 Bonds”). All capitalized terms used in this Official Statement unless otherwise defined herein will have the meanings set forth in “APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SECOND SUPPLEMENTAL SENIOR INDENTURE—CERTAIN DEFINITIONS.”

#### The City and the Airport

The City of Long Beach, California (the “City”) is a charter city and municipal corporation organized and existing under the Constitution of the State of California (the “State”). The City is responsible for Long Beach Airport (the “Airport”), all operations of the Airport and all revenue-producing functions, facilities and properties associated with the Airport (collectively, the “Enterprise”). The Airport, classified by the Federal Aviation Administration (the “FAA”) as a “small hub” airport, enplaned approximately 1.46 million passengers for the fiscal year ended September 30, 2010 (“Fiscal Year 2010”). In Fiscal Year 2010, approximately 96% of enplanements at the Airport represented origination and destination (“O&D”) passengers (passengers beginning or ending their trips at the Airport, as opposed to passengers connecting through the Airport to other cities). According to data reported by Airports Council International (“ACI”), the Airport was ranked as the 72<sup>nd</sup> busiest airport in the United States (the “U.S.”) for calendar year 2009, based on total passengers. See “THE AIRPORT” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT” for information concerning aviation activity at the Airport.

#### Authorization

The Series 2010 Bonds are being issued by the City pursuant to the Charter of the City of Long Beach (the “Charter”), Sections 3.52.110 *et seq.* of the Long Beach Municipal Code, the Master Senior Trust Indenture, dated as of December 1, 2009 (the “Master Senior Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Senior Trustee”), the Second Supplemental Senior Trust Indenture, to be dated as of November 1, 2010 (the “Second Supplemental Senior Indenture,” and together with the Master Senior Indenture, and all supplements thereto, the “Senior Indenture”) by and between the City and the Senior Trustee, and a resolution adopted by the City Council of the City (“City Council”) on October 19, 2010.

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\* Preliminary; subject to change.

## **Plan of Finance**

The Series 2010 Bonds are being issued to (a) finance certain capital improvements at the Airport, (b) refund all of the City's outstanding Subordinate Airport Commercial Paper Notes (as defined herein), (c) make a deposit to the Senior Reserve Fund (as defined herein), (d) fund a portion of the interest accruing on a portion of the Series 2010 Bonds through and including June 1, 2012, and (e) pay the costs of issuance of the Series 2010 Bonds, all as further described herein. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

## **Security for the Series 2010 Bonds**

The Series 2010 Bonds are payable solely from and secured solely by a pledge of and lien upon the Net Revenues (including PFC Revenues) and such other amounts, funds and accounts established or continued by the Senior Indenture. The Master Senior Indenture defines "*Net Revenues*" to mean, for any given period, the Revenues (as defined below) for such period, less the Maintenance and Operation Costs (as defined below) for such period. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Pledge of Net Revenues."

Pursuant to the provisions of the Master Senior Indenture, Revenues do not include Passenger Facility Charges (also referred to in this Official Statement as "PFCs") unless otherwise designated as Revenues pursuant to a Supplemental Senior Indenture. Pursuant to the Second Supplemental Senior Indenture, the City will irrevocably designate Passenger Facility Charges as Revenues in an amount equal to the lesser of (a) 125% of the Aggregate Annual Debt Service on the PFC Eligible Portion of all Senior Bonds (including the Series 2010 Bonds), and (b) the total amount of Passenger Facility Charges received by the City in a Fiscal Year. The Passenger Facility Charges irrevocably designated as Revenues are referred to in this Official Statement as "PFC Revenues." Generally, the "PFC Eligible Portion" of each Senior Bond is equal to the portion of such Senior Bond the proceeds of which are used to finance or refinance projects for which the City has received approval from the FAA to fund with Passenger Facility Charges. Approximately 90% of the proceeds of the Series 2010 Bonds will be used to finance or refinance projects for which the Airport has received or expects to receive FAA approval to fund with Passenger Facility Charges. Therefore, Passenger Facility Charges equal to the lesser of (a) 125% of the Aggregate Annual Debt Service on approximately 90% of the Series 2010 Bonds, and (b) the total amount of Passenger Facility Charges received by the City in a Fiscal Year will be included in Revenues and therefore pledged to the Series 2010 Bonds. However, PFC Revenues are only available to pay debt service on the PFC Eligible Portion of the Series 2010 Bonds. Any non-PFC Eligible Portion of the Series 2010 Bonds will be payable from Net Revenues (not including any PFC Revenues). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Pledge of Net Revenues."

The City has covenanted in the Master Senior Indenture that no additional bonds or other securities will be issued with a lien on or security interest granted in Net Revenues (including any PFC Revenues) senior to the lien of the Series 2010 Bonds. The Series 2010 Bonds are secured by a pledge of and lien on Net Revenues (not including any PFC Revenues) on a parity with the Series 2009 Bonds (as defined herein). None of the proceeds of the Series 2009 Bonds funded or will fund projects for which the City received or expects to receive approval from the FAA to finance with Passenger Facility Charges, and therefore, the Series 2009 Bonds are not secured by or payable from PFC Revenues. In addition to the Series 2010 Bonds and the Series 2009 Bonds, the Net Revenues (including PFC Revenues, if applicable) are pledged on a parity basis to any additional bonds that may be issued by the City on a parity with respect to Net Revenues pursuant to the terms of the Master Senior Indenture

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\* Preliminary; subject to change.



(“Additional Senior Bonds”). For purposes of this Official Statement, “Senior Bonds” means the Series 2010 Bonds, the Series 2009 Bonds and any Additional Senior Bonds. At the time of issuance of the Series 2010 Bonds, the only other Senior Bonds the City will have issued pursuant to the Master Senior Indenture will be the Series 2009 Bonds. Net Revenues are available for the equal and proportionate benefit of all of the Senior Bonds, except that PFC Revenues will only be available for the benefit of the Senior Bonds to the extent such Senior Bonds include a PFC Eligible Portion. At the time of issuance of the Series 2010 Bonds, only the Series 2010 Bonds will be secured by PFC Revenues. The Series 2009 Bonds are not secured or payable from PFC Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS,” “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE” and “AIRPORT FINANCIAL MATTERS—PFC Program.”

### **Outstanding Senior Bonds**

The City has previously issued, and as of October 1, 2010, there was outstanding \$60,585,000 aggregate principal amount of its Senior Airport Revenue Bonds, Series 2009A (the “Series 2009A Bonds”), Senior Airport Revenue Bonds, Series 2009B (the “Series 2009B Bonds”), and Senior Airport Revenue Bonds, Series 2009C (Federally Taxable – Build America Bonds – Direct Payment to Issuer) (the “Series 2009C Bonds,” and collectively with the Series 2009A Bonds and the Series 2009B Bonds, the “Series 2009 Bonds”). The Series 2009 Bonds are secured by a pledge of and lien on Net Revenues (not including any PFC Revenues) on a parity with the Series 2010 Bonds.

The Series 2009C Bonds were issued as “Build America Bonds” for purposes of the Internal Revenue Code of 1986, as amended (the “Code”). Subject to the City’s compliance with certain requirements of the Code, the City expects to receive cash subsidy payments from the United States Treasury rebating a portion of the interest on the Series 2009C Bonds in an amount equal to 35% of the interest payable on the Series 2009C Bonds (“Federal Direct Payments”). Any Federal Direct Payments received by the City with respect to the Series 2009C Bonds are not included in Revenues and have not been pledged to the payment of debt service on the Series 2009 Bonds or the Series 2010 Bonds.

See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE.”

### **JetBlue Airways**

JetBlue Airways (“JetBlue”) initiated service from the Airport in Fiscal Year 2001, and since then has become the dominant air carrier at the Airport. In Fiscal Year 2010, JetBlue accounted for approximately 81% of the Airport’s enplaned passengers. JetBlue accounted for approximately 22% of the Airport’s direct revenues (landing fees, charges and rents) in Fiscal Year 2009. When taking into account indirect revenues (parking, rental cars and concessions derived from JetBlue passengers), JetBlue accounted for approximately 55% of the Airport’s total revenues (both direct and indirect) in Fiscal Year 2009. See “THE AVIATION INDUSTRY AND THE AIRLINES—JetBlue Airways,” “CERTAIN INVESTMENT CONSIDERATIONS—Dominance of JetBlue Airways at the Airport” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

### **Report of the Airport Consultant**

Included as Appendix A to this Official Statement is the Letter Report of the Airport Consultant dated October [21], 2010 (the “2010 Letter Report of the Airport Consultant”) prepared by Ricondo & Associates, Inc. (the “Airport Consultant”), in connection with the issuance of the Series 2010 Bonds. The 2010 Letter Report of the Airport Consultant supplements the Report of the Airport Consultant dated November 24, 2009 (the “2009 Report of the Airport Consultant,” and together with the 2010 Letter

Report of the Airport Consultant, the “Report of the Airport Consultant”), prepared by the Airport Consultant in connection with the issuance of the Series 2009 Bonds. The 2009 Report of the Airport Consultant is included as Attachment B to the 2010 Letter Report of the Airport Consultant. The 2010 Letter of the Report of the Airport Consultant discusses, among other things, economic, airline traffic and financial data that has become available and certain assumptions incorporated in the financial projections have been updated based on Fiscal Year 2009 results, the terms of the Series 2009 Bonds, and refinement of the construction schedule for the new parking garage at the Airport. There have been no significant changes to the overall financial projections and debt service coverage ratios since the 2009 Report of the Airport Consultant. Air traffic projections have not changed from the projections reflected in the 2009 Report of the Airport Consultant.

The Report of the Airport Consultant includes, among other things, a description of the underlying economic base of the Airport’s Air Trade Area (as defined in the Report of the Airport Consultant); a description of historical air traffic activity at the Airport; the Airport Consultant’s projections for air traffic activity at the Airport, debt service, expenses and revenues through 2016 and a description of the assumptions on which such projections were based. No assurances can be given that the projections and expectations discussed in the Report of the Airport Consultant will be achieved. The Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety. See “—Forward Looking Statements” and “CERTAIN INVESTMENT CONSIDERATIONS—Report of the Airport Consultant” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

### **Continuing Disclosure**

The City will covenant for the benefit of the owners of the Series 2010 Bonds to provide annually certain financial information and operating data concerning the Enterprise, the Airport and certain other obligated persons, including JetBlue (to the extent JetBlue makes its financial information and operating data available to the public), and will provide notice of certain enumerated events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (the “EMMA System”) or any successor method designated by the MSRB, pursuant to the requirements of Rule 15c2-12 of the Securities Exchange Commission (the “SEC”). See “CONTINUING DISCLOSURE” and “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

### **Investment Considerations**

The purchase and ownership of the Series 2010 Bonds involve investment risks. Prospective purchasers of the Series 2010 Bonds should read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2010 Bonds, see “CERTAIN INVESTMENT CONSIDERATIONS.”

### **Forward-Looking Statements**

The statements contained in this Official Statement and in the Appendices hereto that are not purely historical, are forward-looking statements, including statements regarding the City’s expectations, hopes, intentions or strategies regarding the future. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “project,” “forecast,” “will likely result,” “are expected to,” “will continue,” “is anticipated,” “intend” or other similar words. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the Airport’s actual financial and operating results likely will differ, and could differ materially, from those in such forward-looking statements.

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

### **Additional Information**

Brief descriptions of the Series 2010 Bonds, the Master Senior Indenture, the Second Supplemental Senior Indenture and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, laws, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, law, report or other instrument. Information contained herein has been obtained from officers, employees and records of the City and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Enterprise or the Airport since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City and purchasers or owners of any of the Series 2010 Bonds. The City maintains certain websites, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein, and should not be relied upon in deciding whether to invest in the Series 2010 Bonds.

## **PLAN OF FINANCE**

### **Plan of Finance**

The Series 2010 Bonds are being issued to (a) finance the Series 2010A Project (as described below), (b) refund \$16,082,000 aggregate principal amount of the outstanding Subordinate Airport Commercial Paper Notes, (c) make a deposit to the Senior Reserve Fund, (d) fund a portion of the interest accruing on the Series 2010 Bonds through and including June 1, 2012, and (e) pay the costs of issuance of the Series 2010 Bonds.

### **Series 2010A Project**

The Series 2010A Bonds are being issued to, among other things, finance a portion of the costs of a new passenger concourse at the Airport (the "Series 2010A Project"). See "AIRPORT CAPITAL IMPROVEMENT PROGRAM" and "APPENDIX A—REPORT OF THE AIRPORT CONSULTANT."

The Airport's existing passenger terminal (the "Terminal") is a three-story facility, topped by the two-story former air traffic control tower. The Terminal provides facilities for customer ticketing, concessions, restrooms and offices for Airport and airline staff. In 1984, a permanent passenger screening and holdroom facility was constructed adjacent to the Terminal to provide better accessibility for passengers with disabilities and to improve the passenger screening process and baggage claim. During 2002 and 2003, the passenger screening area in the Terminal was again expanded to meet current federal

security requirements, and two additional temporary holdroom facilities were constructed to meet increased passenger activity levels.

The Series 2010A Project will include the construction of permanent facilities for passenger holdrooms, restrooms, concessions, and the consolidation of passenger security screening in one central location. The Series 2010A Project will include approximately 35,000 square feet of new construction and 6,500 square feet of remodeled space. Upon completion of the improvements, the Terminal will consist of approximately 74,000 square feet.

In April 2010, the Long Beach Cultural Heritage Commission approved a Certificate of Appropriateness for the Terminal Improvements, and the Long Beach Planning Commission approved the site plan for the Series 2010A Project. Design of the Series 2010A Project has been completed, and construction bids for the Series 2010A Project have been received. The City is currently reviewing the construction bids, and the City Council is expected to award a construction contract in an amount not to exceed \$[\_\_\_] million on November 9, 2010. Construction of the Series 2010A Project is expected to commence in late 2010 or early 2011 and be completed in the spring of 2013. The Series 2010A Project has an estimated cost of \$41.1 million, which will be financed with proceeds of the Series 2010 Bonds.

### ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of funds realized upon the sale of the Series 2010 Bonds and the implementation of the Plan of Finance described above:

	<b>Series 2010A Bonds</b>	<b>Series 2010B Bonds</b>	<b>Total</b>
<i><b>Sources of Funds</b></i>			
Principal Amount	\$	\$	\$
Net Original Issue Premium/(Discount)			
<i>Total Sources</i>	\$	\$	\$
<i><b>Uses of Funds</b></i>			
Deposit to Project Account	\$	\$	\$
Deposit to Capitalized Interest Account <sup>1</sup>			
Refund Series A Subordinate Airport Commercial Paper Notes			
Refund Series B Subordinate Airport Commercial Paper Notes			
Deposit to Senior Reserve Fund			
Costs of Issuance <sup>2</sup>			
<i>Total Uses</i>	\$	\$	\$

<sup>1</sup> Represents a portion of the interest accruing on a portion of the Series 2010A Bonds.

<sup>2</sup> Includes Underwriters' discount, fees of the Senior Trustee, the Financial Advisor, the Airport Financial Consultant, Bond Counsel, printing expenses and miscellaneous fees and expenses.

## DESCRIPTION OF THE SERIES 2010 BONDS

### General

The Series 2010 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2010 Bonds will be dated their date of delivery, and will bear interest from that date payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2011 (each an "Interest Payment Date"). Interest due and payable on the Series 2010 Bonds on any Interest Payment Date will be paid to the person who is the registered owner (Cede & Co., so long as the book-entry system with The Depository Trust Company ("DTC") is in effect) as of the close of business on the 15<sup>th</sup> day of the calendar month next preceding such Interest Payment Date (a "Record Date"). Each Series 2010 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2010 Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2010 Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is prior to May 15, 2011, in which event such Series 2010 Bond will bear interest from its date of initial delivery. If interest on the Series 2010 Bonds is in default, Series 2010 Bonds issued in exchange for Series 2010 Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid in full on the Series 2010 Bonds surrendered.

The Series 2010 Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Series 2010 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2010 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2010 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2010 Bonds, references herein to the holders or registered owners means Cede & Co. and does not mean the Beneficial Owners of the Series 2010 Bonds.

So long as Cede & Co. is the registered owner of the Series 2010 Bonds, principal of and interest on the Series 2010 Bonds are payable by wire transfer by the Senior Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

### Redemption Provisions

**Optional Redemption.** The Series 2010 Bonds maturing on or before June 1, 20\_\_ are not subject to optional redemption prior to maturity. The Series 2010 Bonds maturing on or after June 1, 20\_\_ are subject to redemption prior to maturity, at the option of the City, on or after June 1, 20\_\_, in whole or in part, at any time, from any moneys that may be provided for such purpose and at a redemption price equal to \_\_% of the principal amount of the Series 2010 Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Series 2010A Bonds maturing on June 1, 20\_\_ (the “Series 2010A Term Bonds”) are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on June 1 of the following years and in the following principal amounts:

<b>Redemption Date (June 1)</b>	<b>Principal Amount</b>
	\$

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\* Final Maturity.

The Series 2010B Bonds maturing on June 1, 20\_\_ (the “Series 2010B Term Bonds,” and together with the Series 2010A Term Bonds, the “Series 2010 Term Bonds”) are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on June 1 of the following years and in the following principal amounts:

<b>Redemption Date (June 1)</b>	<b>Principal Amount</b>
	\$

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\* Final Maturity.

At the option of the City, to be exercised by delivery of a written certificate to the Senior Trustee on or before the 60<sup>th</sup> day next preceding any mandatory sinking fund redemption date for the Series 2010 Term Bonds, it may (a) deliver to the Senior Trustee for cancellation Series 2010 Term Bonds or portions thereof (in Authorized Denominations) purchased in the open market or otherwise acquired by the City or (b) specify a principal amount of such Series 2010 Term Bonds or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Senior Trustee at the request of the City and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2010 Term Bonds or portion thereof so purchased or otherwise acquired or optionally redeemed and delivered to the Senior Trustee for cancellation will be credited by the Senior Trustee at 100% of the principal amount thereof against the obligation of the City to pay the principal of such Series 2010 Term Bonds on such mandatory sinking fund redemption date.

**Notice of Redemption.** The Senior Trustee will give notice of redemption, in the name of the City, to Bondholders affected by such redemption at least 30 days but not more than 60 days before each redemption date, send such notice of redemption by first class mail (or with respect to Series 2010 Bonds held by DTC by an express delivery service for delivery on the next following Business Day) to each Bondholder of a Series 2010 Bond to be redeemed. Each such notice will be sent to the Bondholder’s registered address.

Each notice of redemption will specify the Series, maturity date, interest rate and CUSIP number of each Series 2010 Bond to be redeemed, the date of issue, if less than all Series 2010 Bonds of a Series, maturity date and interest rate are called for redemption the numbers of the Series 2010 Bonds to be

redeemed, the principal amount to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, the Senior Trustee's name, that payment will be made upon presentation and surrender of the Series 2010 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

The City may provide that, if at the time of mailing of notice of an optional redemption there will not have been deposited with the Senior Trustee moneys sufficient to redeem all the Series 2010 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Senior Trustee not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be cancelled and on such cancellation date notice will be mailed to the Bondholders of such Series 2010 Bonds to be redeemed.

Failure to give any required notice of redemption as to any particular Series 2010 Bonds will not affect the validity of the call for redemption of any Series 2010 Bonds in respect of which no failure occurs. Any notice sent as provided herein will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2010 Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. In the event that funds are deposited with the Senior Trustee sufficient for redemption, interest on the Series 2010 Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

***Effect of Redemption.*** On the date so designated for redemption, notice having been given as aforesaid and sufficient moneys for payment of the redemption price being held in trust by the Senior Trustee to pay the redemption price, interest on such Series 2010 Bonds will cease to accrue from and after such redemption date, such Series 2010 Bonds will cease to be entitled to any lien, benefit or security under the Senior Indenture and the Bondholders of such Series 2010 Bonds will have no rights in respect thereof except to receive payment of the redemption price.

Series 2010 Bonds called for redemption and for the payment of the redemption price of which moneys will be held in trust for the Bondholders of the Series 2010 Bonds to be redeemed, all as provided in the Second Supplemental Senior Indenture, will not be deemed to be Outstanding under the provisions of the Senior Indenture.

***Selection of Series 2010 Bonds for Redemption; Partial Redemption.*** The Series 2010 Bonds are subject to redemption in such order of maturity and interest rate as the City may direct and by lot, selected in such manner as the Senior Trustee (or DTC, as long as DTC is the securities depository for the Series 2010 Bonds) deems appropriate, within a Series, maturity date and interest rate.

Upon surrender of a Series 2010 Bond to be redeemed, in part only, the Senior Trustee will authenticate for the Bondholder a new Series 2010 Bond or Series 2010 Bonds of the same Series, maturity date and interest rate equal in principal amount to the unredeemed portion of the Series 2010 Bond surrendered.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS**

Following is a summary of certain provisions of the Senior Indenture, including, among other things, sections of the Senior Indenture detailing the pledge of Net Revenues (including PFC Revenues), the rate covenant, the funding and utilization of the Senior Reserve Fund, and the issuance of Additional

Senior Bonds. These summaries are not comprehensive or definitive. See “APPENDIX C” for a more complete description of these provisions of the Senior Indenture.

### **Pledge of Net Revenues**

The Series 2010 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of Net Revenues (including PFC Revenues) derived by the City from the operations of the Enterprise, and such other amounts, funds and accounts pledged therefor under the Master Senior Indenture, as further described herein.

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

The Master Senior Indenture defines “*Revenues*” to mean, except to the extent specifically excluded therefrom, all income, receipts, earnings and revenues received by the City from the operation and ownership of the Enterprise, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the City for the use or availability of the Enterprise, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the City, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the City or any successor thereto from the possession, management, charge, superintendence and control of the Enterprise and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the City receives payments which are attributable to the Enterprise or activities or undertakings related thereto. Additionally, “*Revenues*” include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earnings allowed to be pledged by the terms of a Supplemental Senior Indenture to fund the Construction Fund) from the investment of amounts held in the Enterprise Fund, any Construction Fund, any Senior Debt Service Fund (except Capitalized Interest on deposit therein), the Senior Reserve Fund, any Senior Debt Service Reserve Fund and such additional revenues, if any, as are designated as “*Revenues*” under the terms of any Supplemental Senior Indenture. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any amounts received by the City from the imposition of ad valorem taxes, (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in this definition of “*Revenues*” which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Bonds, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Senior Bonds (except to the extent Net Proceeds are utilized to pay Maintenance and Operation Costs), and (iv) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in the Master Senior Indenture). In addition, the following, including any investment earnings thereon, are specifically excluded from “*Revenues*,” unless designated as “*Revenues*” under the terms of a Supplemental Senior Indenture: (A) any Swap Termination Payments paid to the City pursuant to a Qualified Swap, (B) Facilities Construction Credits, (C) Passenger Facility Charges unless otherwise so pledged under the terms of any Supplemental Senior Indenture, (D) Customer Facility Charges unless otherwise so pledged under the terms of any Supplemental Senior Indenture, (E) Federal Direct Payments unless otherwise so pledged under the terms of any Supplemental Senior Indenture, (F) Released Revenues, (G) subject to (ii) in the previous sentence, grants and other charges authorized on or after the date of the Master Senior Indenture by federal and/or State laws or regulations to be assessed to fund specific programs at the Enterprise, (H) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Senior Bonds, (I) any



arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code and (J) Capitalized Interest. Further, interest earnings or other investment earnings on any Construction Fund established by any Supplemental Senior Indenture are specifically excluded from “Revenues,” unless otherwise provided for in such Supplemental Senior Indenture.

As described in the previous paragraph, Revenues do not include Passenger Facility Charges unless otherwise designated as Revenues pursuant to a Supplemental Senior Indenture. Pursuant to the Second Supplemental Senior Indenture, the City will irrevocably designate Passenger Facility Charges as Revenues in an amount equal to the lesser of (a) 125% of the Aggregate Annual Debt Service on the PFC Eligible Portion of all Senior Bonds (including the Series 2010 Bonds), and (b) the total amount of Passenger Facility Charges received by the City in a Fiscal Year. Approximately 90\*% of the proceeds of the Series 2010 Bonds will be used to finance or refinance projects for which the Airport has received or expects to receive FAA approval to fund with Passenger Facility Charges. Therefore, Passenger Facility Charges equal to the lesser of (a) 125% of the Aggregate Annual Debt Service on approximately 90\*% of the Series 2010 Bonds, and (b) the total amount of Passenger Facility Charges received by the City in a Fiscal Year will be included in Revenues and therefore pledged to the Series 2010 Bonds. At the time of issuance of the Series 2010 Bonds, only the Series 2010 Bonds will be secured by PFC Revenues. Pursuant to the PFC Act (as defined herein), the PFC Regulations (as defined herein) and the Second Supplemental Senior Indenture, PFC Revenues are only available to pay debt service on the PFC Eligible Portion of the Series 2010 Bonds. Any non-PFC Eligible Portion of the Series 2010 Bonds will be payable from Net Revenues (not including any PFC Revenues). See “INTRODUCTION—Security for the Series 2010 Bonds,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Flow of Funds,” “AIRPORT FINANCIAL MATTERS—PFC Program” and “CERTAIN INVESTMENT CONSIDERATIONS.

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

**THE SERIES 2010 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF NET REVENUES (INCLUDING PFC REVENUES) DERIVED BY THE CITY FROM THE OPERATIONS OF THE ENTERPRISE, AND SUCH OTHER AMOUNTS, FUNDS AND ACCOUNTS PLEDGED UNDER THE SENIOR INDENTURE. NONE OF THE PROPERTIES OF THE ENTERPRISE AND THE AIRPORT ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN (EXCEPT FOR THE LIEN CREATED BY THE SENIOR INDENTURE ON THE NET REVENUES) FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2010 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2010 BONDS.**

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\* Preliminary; subject to change.

## Flow of Funds

Pursuant to the Master Senior Indenture, the City covenants that all Revenues will be received by the City in trust thereunder and will be deposited when and as received in the Enterprise Fund maintained by the City Treasurer, and all moneys in the Enterprise Fund will be applied and used as provided in the Master Senior Indenture. Pursuant to the Second Supplemental Senior Indenture, the City covenants that so long as PFC Revenues are pledged under the Senior Indenture, all Passenger Facility Charges will be received by the City in trust and will be deposited when and as received in the PFC Account in the Enterprise Fund maintained by the City Treasurer. All amounts in the PFC Account will be applied and used as provided in the Second Supplemental Senior Indenture.

***Disposition of Revenues.*** As long as there are any Outstanding Senior Bonds, all Revenues (not including PFC Revenues) will be deposited in the Enterprise Fund and will be set aside for the payment of the following amounts or deposited or transferred to the following funds and accounts in the order listed (see “Disposition of Passenger Facility Charges” below for a description of the deposit of and timing of deposits of the Passenger Facility Charges):

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

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

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

*FOURTH*, a sufficient amount of Revenues will be transferred or caused to be transferred by the City to the Subordinate Trustee or such other parties such amounts and, at such times, as are sufficient to pay the debt service on any indebtedness, including Subordinate Obligations, issued pursuant to the terms of the Subordinate Indenture or other agreement, but only to the extent (except as otherwise provided in the Master Senior Indenture) a specific pledge of Net Revenues has been made in writing to the payment of debt service on such indebtedness;

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

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

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

***Disposition of Passenger Facility Charges.*** So long as PFC Revenues are designated as Revenues under the Senior Indenture, all Passenger Facility Charges received by the City will be deposited in the PFC Account in the Enterprise Fund.

On the first Business Day of each month, amounts on deposit in the PFC Account will be transferred by the City to the PFC Debt Service Subaccount in the PFC Account until the amount on deposit in the PFC Debt Service Subaccount is equal to the PFC Interest Requirement and the PFC Principal Requirement. A sufficient amount of PFC Revenues credited to the PFC Debt Service Subaccount will be transferred to the Senior Trustee in a timely manner in accordance with the terms of the Master Senior Indenture for deposit to the Senior Debt Service Funds (including the Series 2010 Senior Debt Service Funds), to provide for the payment of the principal of and interest to become due on the PFC Eligible Portion of the Bonds (including a portion of the Series 2010 Bonds).

The Second Supplemental Senior Indenture defines “*PFC Interest Requirement*” to mean the amount of interest coming due on the next Payment Date with respect to the PFC Eligible Portion of the Bonds, net of any amounts deposited in the PFC Debt Service Subaccount or any Senior Debt Service Fund which are available to pay interest on the PFC Eligible Portion of the Bonds.

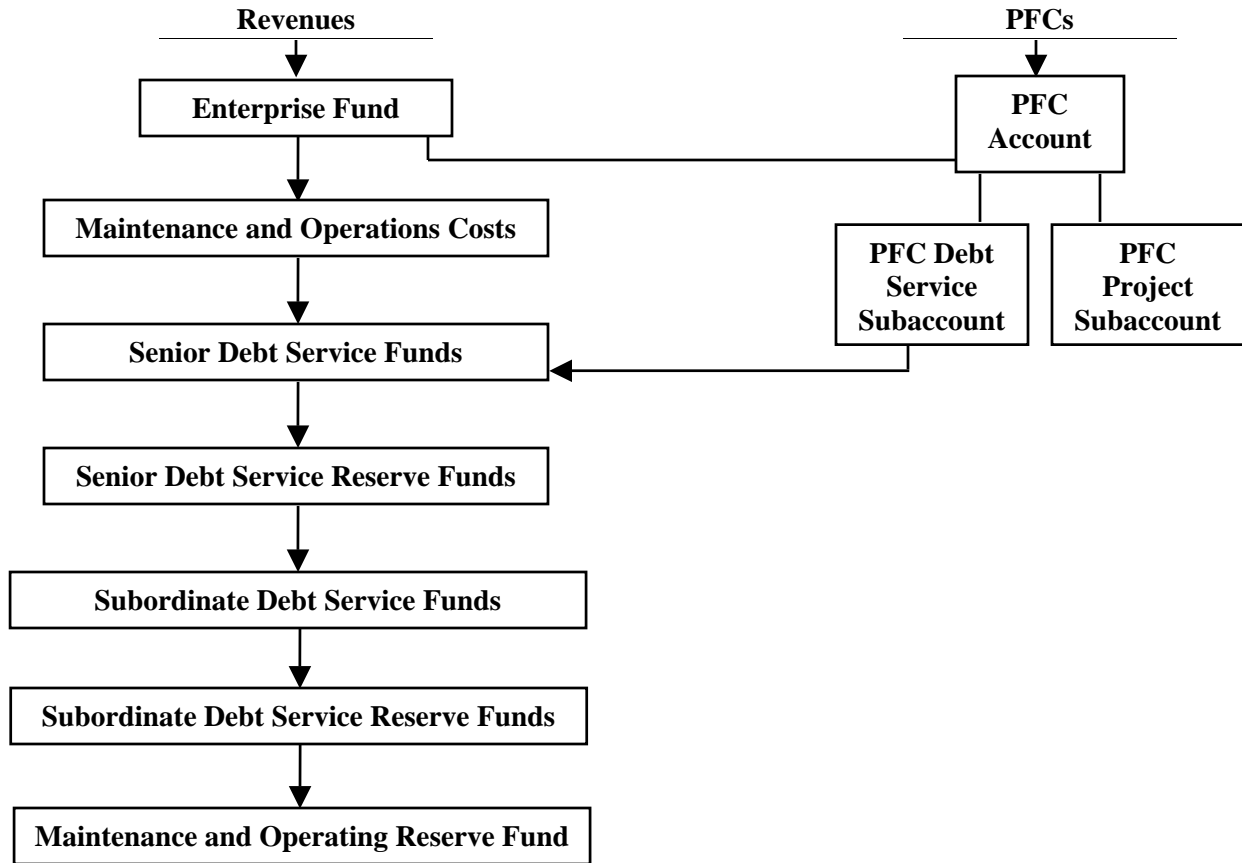
The Second Supplemental Senior Indenture defines “*PFC Principal Requirement*” to mean the amount of principal coming due on the next Payment Date with respect to the PFC Eligible Portion of the Bonds, net of any amounts deposited in the PFC Debt Service Subaccount or any Senior Debt Service Fund which are available to pay the principal of the PFC Eligible Portion of the Bonds.

Any amounts remaining on deposit in the PFC Account after all required deposits have been made to the PFC Debt Service Subaccount will be transferred to the PFC Project Subaccount. The City will not transfer any amounts on deposit in the PFC Account to the PFC Project Subaccount until the City has made all required deposits to the PFC Debt Service Subaccount as described in the previous paragraph. Amounts credited to the PFC Project Subaccount will be applied to any lawful purpose relating to the Enterprise as permitted by the PFC Act (as defined herein) and as the City may from time to time determine, including, but not limited to, the payment of principal and/or interest due on the Series 2010 Bonds.

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

The following chart provides a graphic presentation of the flow of funds described above, including the flow of Passenger Facility Charges.

**Long Beach Airport  
Flow of Funds**



**Rate Covenant**

(a) Under the Master Senior Indenture, the City has covenanted that while any of the Series 2010 Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the City as of the date of execution of the Master Senior Indenture setting forth restrictions relating thereto), it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Enterprise and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

- (i) the Annual Debt Service on any Outstanding Senior Bonds required to be funded by the City in such Fiscal Year as required by the Master Senior Indenture or any Supplemental Senior Indenture with respect to the Outstanding Senior Bonds;
- (ii) the required deposits to the Senior Reserve Fund or any Senior Debt Service Reserve Fund which may be established by a Supplemental Senior Indenture;
- (iii) the reimbursement or repayment of other amounts owed to any Credit Provider or Liquidity Provider as required by a Supplemental Senior Indenture;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Outstanding Senior Bonds, including Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than Outstanding Senior Bonds, including Subordinate Obligations.

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

“*Transfer*” is defined in the Master Senior Indenture to mean for any Fiscal Year the amount on deposit in the Coverage Deposit Account on the first day of such Fiscal Year and the amount of unencumbered funds on deposit or anticipated to be on deposit, as the case may be, in the Enterprise Fund (other than the amounts on deposit in the Coverage Deposit Account) on the first day of such Fiscal Year (after all required deposits and payments have been made as described under “—Flow of Funds—Disposition of Revenues” above).

In determining compliance with paragraph (b) above, PFC Revenues may not be applied to or assumed to pay Annual Debt Service on any non-PFC Eligible Portion of the Bonds. Additionally, no PFC Revenues or Passenger Facility Charges may be included in Transfer.

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

In the event that Net Revenues (including PFC Revenues, as applicable) for any Fiscal Year are less than the amount specified in paragraphs (a) and (b) above, but the City promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, tolls, fees and charges as described in the preceding paragraph, such deficiency in Net Revenues will not constitute an Event of Default under the Master Senior Indenture. Nevertheless, if after taking the measures required by the preceding paragraph to revise the schedule of rentals, rates, tolls, fees and charges, Net Revenues (including PFC Revenues, as applicable) in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the City for such Fiscal Year) are less than the amount specified in paragraphs (a) and (b) above, such deficiency in Net Revenues (including PFC Revenues, as applicable) will constitute an Event of Default under the Master Senior Indenture. See “APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SECOND SUPPLEMENTAL SENIOR INDENTURE—SUMMARY OF THE MASTER SENIOR INDENTURE—Defaults and Remedies.” See also “CERTAIN INVESTMENT CONSIDERATIONS—Rate Covenant Not a Guarantee; Failure To Meet Projections.”

## **Senior Debt Service Deposits**

The Master Senior Indenture provides that the City will not later than the fifteenth day of each calendar month, transfer from the Enterprise Fund (including the PFC Account) to the Senior Trustee for deposit in the Senior Debt Service Fund established in respect of each Series of Outstanding Senior Bonds: (i) sums in equal fractional parts for each one half year so that at least the full amount required to pay the interest on the Senior Bonds, as it becomes due, will be set aside in the Senior Debt Service Funds by not later than the fifteenth day of the month prior to the date each installment of interest becomes due, (ii) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due at maturity, the Principal Amount of the Senior Bonds, will be set aside in the Senior Debt Service Funds by not later than the fifteenth day of the month prior to the date such principal amount becomes due, and (iii) sums in equal fractional parts for each year so that at least the full amount required to pay, as it becomes due, the sinking installment payment, if any, due with respect to the Senior Term Bonds will be set aside in the Senior Debt Service Funds by not later than the fifteenth day of the month prior to the date such sinking installment payment becomes due.

## **Senior Reserve Fund**

Pursuant to the Master Senior Indenture, the City established the Senior Reserve Fund (the "Senior Reserve Fund") with the Senior Trustee to secure any Senior Bonds the City elects to participate in the Senior Reserve Fund. At the time of issuance of the Series 2009 Bonds, the City elected to have the Series 2009 Bonds participate in the Senior Reserve Fund; and at the time of issuance of the Series 2010 Bonds, the City will elect to have the Series 2010 Bonds participate in the Senior Reserve Fund. At the time of issuance of any Additional Senior Bonds, the City also may elect to have such Additional Senior Bonds participate in the Senior Reserve Fund.

The Senior Reserve Fund is required to be funded at all times in an amount equal to the Reserve Requirement. The Reserve Requirement is equal to the lesser of (a) Maximum Aggregate Annual Debt Service For Reserve Requirement for all Series of Senior Bonds participating in the Senior Reserve Fund, (b) 10% of the principal amount of the Senior Bonds participating in the Senior Reserve Fund, less the amount of original issue discount with respect to any Senior Bond participating in the Senior Reserve Fund if such original issue discount exceeded 2% on such Senior Bond at the time of its original sale, and (c) 125% of the average Aggregate Annual Debt Service For Reserve Requirement for all Series of Senior Bonds participating in the Senior Reserve Fund. At the time of issuance of the Series 2010 Bonds, the Reserve Requirement will be met by depositing a portion of the proceeds of the Series 2010 Bonds into the Senior Reserve Fund. The Reserve Requirement upon the issuance of the Series 2010 Bonds will be equal to \$\_\_\_\_\_ and will be fully funded with cash and securities.

Moneys or investments held in the Senior Reserve Fund will be used for the purpose of paying principal of and interest on the Series 2010 Bonds, the Series 2009 Bonds and any other Senior Bonds participating in the Senior Reserve Fund on a basis *pari passu* with all Senior Bonds then participating in the Senior Reserve Fund. If, on any Payment Date, the amounts in the Senior Debt Service Funds for the Series 2010 Bonds, the Series 2009 Bonds and any other Senior Bonds participating in the Senior Reserve Fund are insufficient to pay in full the amount then due on such Senior Bonds, moneys held in the Senior Reserve Fund will be used for the payment of principal of and interest thereon.

The City may fund all or a portion of the Reserve Requirement with a Reserve Fund Surety Policy. A Reserve Fund Surety Policy may be an insurance policy, a surety bond or a letter of credit, deposited with the Senior Trustee for the credit of the Senior Reserve Fund, which is provided by an institution rated in one of the two highest long term rating categories at the time the Reserve Fund Surety Policy is deposited with the Senior Trustee. Any such Reserve Fund Surety Policy must either extend to

the maturity of the Series of Senior Bonds of the longest maturity then Outstanding and participating in the Senior Reserve Fund, or the City must agree, by Supplemental Senior Indenture, that it will replace such Reserve Fund Surety Policy prior to its expiration with another Reserve Fund Surety Policy which will have no adverse effect on the ratings, if any, then in effect on the Senior Bonds participating in the Senior Reserve Fund, or with cash.

At the time of issuance of the Series 2010 Bonds, the Senior Reserve Fund will be funded with cash and securities, and no portion of the Senior Reserve Fund will be funded with a Reserve Fund Surety Policy.

### **Additional Senior Bonds**

Additional Senior Bonds may be issued under the Master Senior Indenture on a parity with the Series 2010 Bonds, provided, among other things, that there is first delivered to the Senior Trustee either:

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

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

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

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

The certificate described in (b) above is expected to be delivered by the Airport Consultant at the time of issuance of the Series 2010 Bonds.

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

For purposes of preparing the certificate or certificates described above, PFC Revenues may not be applied to or assumed to pay Maximum Aggregate Annual Debt Service or Aggregate Annual Debt Service on non-PFC Eligible Portions of the Bonds. Additionally, when preparing the certificate described in paragraph (b)(ii) above, (a) the Consultant may assume (i) that the rate of the levy of Passenger Facility Charges in effect on the date of the certificate will be in effect for the entire forecast period, or (ii) a higher rate of levy to the extent legislation has been enacted to permit an increase in the rate of the levy of Passenger Facility Charges if the City has taken all action required to impose and use such increased charges at the Airport pursuant to such legislation prior to the date of the Consultant's certificate; and (b) the Consultant, in estimating Net Revenues, will assume that the percentage of enplaned passengers subject to Passenger Facility Charges during the forecast period will not exceed the average percentage during the three Fiscal Years immediately preceding the Fiscal Year in which the proposed Series of Bonds are being issued.

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

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

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

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



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

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

## **PFC Covenants**

The City will covenant that so long as Passenger Facility Charges are designated as Revenues by the City, it will comply with all provisions of the PFC Act and the PFC Regulations applicable to the City and all provisions of the PFC Approvals, and will not take any action or omit to take any action with respect to the Passenger Facility Charges, any PFC Projects (including the PFC Projects being financed and refinanced with a portion of the proceeds of the Series 2010 Bonds), the Enterprise, or otherwise if such action or omission would, pursuant to the PFC Act and the PFC Regulations, cause the termination of the City's ability to impose Passenger Facility Charges or prevent the use of the Passenger Facility Charges as contemplated by the Senior Indenture. The City will covenant that all moneys in the PFC Account, the PFC Debt Service Subaccount and the PFC Project Subaccount will be used in compliance with all provisions of the PFC Act, the PFC Regulations and the PFC Approvals applicable to the City. Without limiting the generality of the foregoing, so long as Passenger Facility Charges are designated as Revenues by the City, the City will covenant, that, to the extent necessary to comply with the foregoing covenants:

(a) it will diligently seek approval to impose and use Passenger Facility Charges for the PFC Projects (including the PFC Projects being financed and refinanced with a portion of the proceeds of the Series 2010 Bonds) within the time periods set forth in the PFC Regulations and will begin implementation of such PFC Projects (including the PFC Projects being financed and refinanced with a portion of the proceeds of the Series 2010 Bonds) within the time periods set forth in the PFC Regulations;

(b) it (i) will impose a Passenger Facility Charge to the full extent approval by the FAA for the Airport and (ii) will not unilaterally decrease the level of the Passenger Facility Charges to be collected from any passenger;

(c) it will not impose any noise or access restrictions at the Airport not in compliance with the Airport Noise and Capacity Act of 1990 (the "Noise Act"), if the imposition of such restriction may result in the termination or suspension of the City's ability to impose or use

Passenger Facility Charges at the Airport prior to the charge expiration date or the date the total approved Passenger Facility Charge has been collected;

(d) it will take all action necessary to cause all collecting air carriers to collect and remit to the City all Passenger Facility Charges at the Airport required by the PFC Regulations to be so collected and remitted; and

(e) it will contest any attempt by the FAA to terminate or suspend the City's ability to impose, receive or use Passenger Facility Charges at the Airport prior to the charge expiration date or the date the total approved Passenger Facility Charge has been collected.

See "AIRPORT FINANCIAL MATTERS—PFC Program."

### **Permitted Investments**

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

### **Events of Default and Remedies; No Acceleration**

Events of Default under the Senior Indenture and related remedies are described in "APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SECOND SUPPLEMENTAL SENIOR INDENTURE—THE MASTER SENIOR INDENTURE—Events of Default and Remedies." The occurrence of an Event of Default does not grant any right to accelerate payment of the Senior Bonds (including the Series 2010 Bonds) to the Senior Trustee, the Subordinate Trustee or the Bondholders of the Senior Bonds (including the Series 2010 Bonds) or the Subordinate Airport Commercial Paper Notes. The Senior Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the obligations of the City under the Senior Indenture.

## **OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE**

### **Outstanding Senior Bonds**

Pursuant to the Master Senior Indenture and the First Supplemental Trust Indenture, dated as of December 1, 2009 (the "First Supplemental Senior Indenture"), by and between the City and the Senior Trustee, the City has previously issued and as of October 1, 2010 there was outstanding \$60,585,000 aggregate principal amount of the Series 2009 Bonds. The Series 2009 Bonds are secured by a pledge and lien on Net Revenues (not including any PFC Revenues) on parity with the Series 2010 Bonds. The Series 2009 Bonds are not secured or payable from PFC Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Flow of Funds."

## Senior Debt Service Requirements

The following table sets forth the debt service requirements on the Series 2009 Bonds and the Series 2010 Bonds.

**TABLE I  
DEBT SERVICE REQUIREMENTS FOR SENIOR BONDS<sup>1</sup>**

Bond Year Ending June 1	Series 2009 Bonds <sup>2,3</sup>	Principal of the Series 2010A Bonds <sup>4</sup>	Interest on the Series 2010A Bonds <sup>4</sup>	Principal of the Series 2010B Bonds <sup>4</sup>	Interest on the Series 2010B Bonds <sup>4</sup>	Total
2011	\$ 5,037,012					
2012	5,194,862					
2013	5,195,512					
2014	5,195,512					
2015	5,193,712					
2016	5,195,112					
2017	5,193,762					
2018	5,192,450					
2019	5,193,450					
2020	5,196,387					
2021	5,194,187					
2022	5,196,675					
2023	5,192,971					
2024	5,149,841					
2025	5,106,083					
2026	5,055,255					
2027	5,002,194					
2028	4,946,517					
2029	4,887,845					
2030	4,820,796					
2031	4,756,719					
2032	4,687,935					
2033	4,614,056					
2034	4,539,695					
2035	4,459,074					
2036	4,371,806					
2037	4,282,503					
2038	4,190,387					
2039	4,089,682					
2040	—					
Total	<u>\$142,331,992</u>					

<sup>1</sup> Numbers may not total due to rounding to nearest dollar.

<sup>2</sup> Does not take into account the receipt by the City of any Federal Direct Payments with respect to the Series 2009C Bonds.

<sup>3</sup> The Series 2009 Bonds are secured by Net Revenues, not including any PFC Revenues.

<sup>4</sup> The Series 2010 Bonds are secured by Net Revenues, including PFC Revenues.

## Senior Repayment Obligations

Under certain circumstances the obligation of the City, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a “Senior Repayment Obligation”) may be secured by a pledge of and lien on Net Revenues on a parity with the Senior Bonds (including the Series 2010 Bonds). If a Credit Provider or Liquidity Provider advances funds to pay principal of or to purchase Senior Bonds, all or a portion of the City’s Senior Repayment Obligation may be afforded the

status of a Senior Bond under the Master Senior Indenture. The City currently does not have any Senior Repayment Obligations outstanding. See “APPENDIX C—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SECOND SUPPLEMENTAL SENIOR INDENTURE—THE MASTER SENIOR INDENTURE—Repayment Obligations Afforded Status of Senior Bonds.”

### **Subordinate Obligations**

The City may, from time to time, incur indebtedness which is subordinate with respect to the lien and pledge on Net Revenues to the Senior Bonds (including the Series 2010 Bonds). Such indebtedness is referred to herein as “Subordinate Obligations.” Such indebtedness may be incurred at such times and upon such terms as the City determines, provided that:

(a) any indenture authorizing the issuance of any Subordinate Obligations specifically states that such lien on or security interest granted in the Net Revenues and the other security set forth in the Granting Clause of the Master Senior Indenture is junior and subordinate to the lien on and security interest in such Net Revenues and the other security set forth in the Granting Clause of the Master Senior Indenture and other assets granted to secure the Senior Bonds (including the Series 2010 Bonds); and

(b) payment of the principal of and interest and other amounts due on such Subordinate Obligations will be permitted, provided that all deposits and payments with respect to Maintenance and Operation Costs, debt service on the Senior Bonds (including the Series 2010 Bonds), the Senior Reserve Fund and any other Senior Debt Service Reserve Fund required to be made pursuant to the Master Senior Indenture have been made or satisfied.

Pursuant to the Master Subordinate Trust Indenture, dated as of November 1, 2004, as amended (the “Master Subordinate Indenture”), by and between the City and The Bank of New York Mellon Trust Company, National Association, formerly known as The Bank of New York Trust Company, National Association (the “Subordinate Trustee”), and the First Supplemental Subordinate Trust Indenture, dated as of November 1, 2004, as amended (the “First Supplemental Subordinate Indenture,” and together with the Master Subordinate Indenture, the “Subordinate Indenture”), by and between the City and Subordinate Trustee, the City, on behalf of the Airport, is authorized to have outstanding, from time to time, up to \$25,000,000 in aggregate principal amount of its City of Long Beach, California Subordinate Airport Revenue Commercial Paper Notes, Series A (Governmental) (the “Series A Subordinate Airport Commercial Paper Notes”), Series B (Private Activity) (the “Series B Subordinate Airport Commercial Paper Notes”) and Series C (Taxable) (the “Series C Subordinate Airport Commercial Paper Notes,” and collectively with the Series A Subordinate Airport Commercial Paper Notes and the Series B Subordinate Airport Commercial Paper Notes, the “Subordinate Airport Commercial Paper Notes”). As of October 1, 2010, Subordinate Airport Commercial Paper Notes were outstanding in the aggregate principal amount of \$17,082,000 (which includes \$13,332,000 aggregate principal amount of the Series A Subordinate Airport Commercial Paper Notes and \$3,750,000 aggregate principal amount of the Series B Subordinate Airport Commercial Paper Notes to be refunded with a portion of the proceeds of the Series 2010 Bonds). The Subordinate Airport Commercial Paper Notes are secured by a pledge and lien on Net Revenues (not including any PFC Revenues) on a subordinate basis to the pledge and lien granted to the Senior Bonds (including the Series 2010 Bonds). The Subordinate Airport Commercial Paper Notes are not secured by or payable from PFC Revenues.

The Subordinate Airport Commercial Paper Notes are issuable in maturities of 1 to 270 days. The City utilizes the proceeds of Subordinate Airport Commercial Paper Notes to, among other things, finance capital projects at the Airport and to pay maturing Subordinate Airport Commercial Paper Notes.

In connection with the issuance of the Subordinate Airport Commercial Paper Notes, the City entered into a Reimbursement Agreement, dated as of November 1, 2004, as amended (the “Reimbursement Agreement”), with JPMorgan Chase Bank, National Association (formerly known as Bank One, NA) (the “CP Bank”), pursuant to which the CP Bank issued an irrevocable Letter of Credit (the “CP Letter of Credit”) to secure the timely payment of the principal of and interest on the Subordinate Airport Commercial Paper Notes. In accordance with the Reimbursement Agreement, the CP Bank issued the CP Letter of Credit in the maximum stated amount of \$27,250,000. The CP Letter of Credit expires on June 2, 2011, unless extended or terminated earlier in accordance with its terms.

After the issuance of the Series 2010 Bonds and the refunding of all of the outstanding Subordinate Airport Commercial Paper Notes, the City plans to terminate the CP Letter of Credit. Upon the termination of the CP Letter of Credit, and until the City secures a new letter of credit, the City will not be able to issue any Subordinate Airport Commercial Paper Notes.

### **Future Financings**

After the issuance of the Series 2010 Bonds, the City has no current plans to issue Additional Senior Bonds and/or additional Subordinate Obligations. However, the City continuously evaluates refunding opportunities and may refund one or more series of its Senior Bonds in the future.

### **Special Facility Obligations**

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

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

## **THE AIRPORT**

### **General**

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

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

## **Governance of the Airport**

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

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

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

*Fred Peña, Superintendent of Airport Operations.* Mr. Peña was appointed Superintendent of Airport Operations in June 2002. He has over 40 years of airline and airport operations experience with emphasis on operational reliability, staff development and budgeting. Mr. Peña is responsible for all administrative and operational functions relative to FAA Part 121 air carrier operations. He managed the annual FAA Certification Inspection for which the Airport garnered a perfect score. Prior to serving the Airport, Mr. Peña worked at Honolulu International Airport, Los Angeles International Airport, Burbank Airport and John Wayne Airport. Mr. Peña is certified as a FAA Ground Security Coordinator, FAA Flight Attendant and FAA Private Pilot. He is a member of the ACI Operations & Technical Affairs Committee.

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

education and administration from Colorado State University. Mr. López-Rios is a member of the ACI Commercial Management Committee.

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

*Jeffrey Sedlak, Senior Civil Engineer.* Mr. Sedlak was appointed Senior Civil Engineer in May 2009. Mr. Sedlak has worked at the City for both the Department of Public Works and the Airport since 2006. During this time he has been assigned to manage the design of large-scale airfield improvement projects. Mr. Sedlak has been the project manager for the Airport's two largest facilities projects, the new parking structure and terminal area improvements. Mr. Sedlak is a registered civil engineer specializing in aviation facilities. He has experience in the design and construction of air carrier and general aviation facilities and has worked on several projects as project manager, lead civil engineer, project engineer, designer and inspector. From 2001 to 2006 Mr. Sedlak worked in the private sector for large consulting firms and was responsible for the design of various aviation facilities. Mr. Sedlak earned his bachelor's of science degree in civil engineering from Oregon State University.

### **Employer/Employee Relations**

The Airport is budgeted for 114 regular (full-time) employees. All full-time, regular Airport employees are included in the City's retirement program.

Some Airport employees are represented by various employee organizations, including the International Association of Machinists ("IAM"), Long Beach Association of Engineering Employees ("LBAEE"), and Long Beach Management Association ("LBMA"). The contract with IAM is in effect until 2012. The LBAEE contract expired in 2008, and the City is currently in negotiations with LBAEE. The contract with LBMA expired on September 30, 2010, and the City is currently in negotiations with LBMA. The City has never experienced a major work stoppage by Airport employees.

## Existing Airport Facilities

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

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

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

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

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

Constructed in 1941, the Terminal was named a City of Long Beach Cultural Heritage Landmark in 1990. The Terminal is a three-story terminal facility, topped by the two-story former air traffic control tower, that provides facilities for customer ticketing, concessions, restrooms and offices for Airport and airline staff. In 1984, a permanent passenger screening and holdroom facility was constructed adjacent to the Terminal to handle approximately 1,500,000 annual passengers, provide better accessibility for passengers with disabilities and to improve the passenger screening process and baggage claim. During 2002 and 2003, the passenger screening area was again expanded to meet current federal security requirements, and two additional temporary holdroom facilities were constructed to meet increased passenger activity levels. See “PLAN OF FINANCE—The 2010 Project” and “AIRPORT CAPITAL IMPROVEMENT PROGRAM” for a discussion of the improvements to the Terminal. The air carrier ramp serving the Terminal provides ground-level parking for ten commercial aircraft.

The Airport’s current four-level parking structure, with 1,017 parking spaces, was constructed in 1985. The Airport also operates a 345-space employee parking lot and a car rental lot with 217 parking spaces. To supplement the Airport’s need for public parking, a month-to-month agreement for a long-term lot located north of the Airport provides an additional 2,142 surface parking spaces. The City is currently in the process of constructing a new, five-level parking structure with approximately 1,990 parking spaces. See “AIRPORT CAPITAL IMPROVEMENT PROGRAM—Parking Structure” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT” for additional information about the new parking structure being constructed at the Airport.

## Other Facilities

The City maintains approximately 60 long-term ground leases for use of Enterprise property for air cargo, airline, general aviation, aircraft manufacturing and non-aviation purposes. There are



approximately 180 businesses located on Enterprise property providing employment for approximately 16,000 individuals. These businesses include, among others, the Long Beach Airport Business Park, the Long Beach Airport Marriott Hotel, the Kilroy Airport Center, Gulfstream Aerospace, Toyota AirFlite, Federal Express, United Parcel Service, Skylinks Golf Course, Automobile Club of Southern California, Embry-Riddle Aeronautical University, DeVry Institute of Technology and various other specialty aviation companies, fixed base operators, aircraft hangar and tie-down facilities and aircraft rental and flight training operations.

Additionally, located on Enterprise property and adjacent to the Airport, with direct airfield access, The Boeing Company (“Boeing”) maintains its C-17 military aircraft production facility, employing approximately 5,000 individuals. In addition, Boeing redeveloped 230 acres of former manufacturing land north of the Airport at Douglas Park, into a state-of-the-art master planned, mixed-use community.

The Airport can accommodate over 600 general aviation aircraft in open tie-down and hangar spaces. General aviation accounted for approximately 87% of the Airport’s total annual operations in Fiscal Year 2010.

### **The Air Trade Area**

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

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**[Insert Map]**

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

As measured by population, the Los Angeles CSA, with nearly 18.4 million people in 2010, is the second-largest of the 126 Combined Statistical Areas in the U.S. Only the New York-New Jersey-Bridgeport Combined Statistical Area (the "New York CSA"), with approximately 22.3 million people, represents a larger market for air transportation. The Los Angeles CSA has approximately 8.5 million more people than the third-largest consolidated market in the U.S., which is the Chicago-Naperville-Michigan City Combined Statistical Area. The Los Angeles CSA is also among the most affluent regions in the U.S. As measured by the number of households with annual income of \$75,000 or more, the Los Angeles CSA is exceeded only by the New York CSA. See "APPENDIX A—REPORT OF THE AIRPORT CONSULTANT."

## **AIRPORT OPERATING INFORMATION**

### **Regional Airport Perspective**

The Airport's share of O&D passengers among the five principal commercial service airports serving the Los Angeles region has steadily increased since Fiscal Year 2002, the first full year of service for JetBlue at the Airport. The Airport's share of West Coast corridor O&D passengers (passengers traveling to and/or from Oakland, San Francisco, San Jose, Sacramento, Portland or Seattle) increased from less than 0.1% in Fiscal Year 2000 to approximately 9.4% in Fiscal Year 2009. The following table sets forth the historical shares of West Coast corridor O&D passengers for the five principal commercial service airports serving the Los Angeles region for the past ten Fiscal Years.

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**TABLE II**  
**SHARES OF WEST COAST CORRIDOR O&D PASSENGERS**  
**Fiscal Years 2000 through 2009**

Fiscal Year <sup>1</sup>	Long Beach (LGB)		Los Angeles (LAX)		LA/Ontario (ONT)		Bob Hope (BUR)		John Wayne (SNA)		Total O&D Passengers
	O&D Passengers <sup>2</sup>	Percentage of Total	O&D Passengers <sup>2</sup>	Percentage of Total	O&D Passengers <sup>2</sup>	Percentage of Total	O&D Passengers <sup>2</sup>	Percentage of Total	O&D Passengers <sup>2</sup>	Percentage of Total	
2000	2,190	<0.1%	6,938,210	45.9%	2,302,220	15.2%	2,788,760	18.5%	3,081,650	20.4%	15,113,030
2001	1,830	<0.1	6,333,120	44.3	2,381,220	16.7	2,668,330	18.7	2,910,340	20.4	14,294,840
2002	38,800	0.3	4,832,340	39.5	2,178,350	17.8	2,490,210	20.3	2,700,830	22.1	12,240,530
2003	561,490	4.4	4,743,000	37.3	2,140,770	16.8	2,486,150	19.6	2,774,240	21.8	12,705,650
2004	578,740	4.5	4,819,110	37.4	2,120,100	16.5	2,491,380	19.3	2,868,070	22.3	12,877,400
2005	635,710	4.7	5,081,500	37.5	2,213,730	16.3	2,602,920	19.2	3,016,340	22.3	13,550,200
2006	703,240	5.3	4,842,770	36.4	2,240,580	16.8	2,556,770	19.2	2,965,350	22.3	13,308,710
2007	802,780	5.6	5,220,630	36.1	2,287,800	15.8	2,960,640	20.5	3,181,730	22.0	14,453,580
2008	829,460	5.9	5,539,560	39.7	2,176,860	15.6	2,546,280	18.2	2,860,310	20.5	13,952,470
2009	1,192,330	9.4	4,953,230	39.1	1,711,980	13.5	2,144,630	16.9	2,668,340	21.1	12,670,510
<b>Change in Share</b>											
2000-2009		9.4%		(7.9%)		(1.7%)		(1.8%)		2.0%	
2003-2009		5.0		1.8		(3.3)		(2.6)		(0.8)	

<sup>1</sup>Fiscal Year ended September 30.

<sup>2</sup>Traffic to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International and Sacramento International airports.

Source: U.S. Department of Transportation Origin & Destination Survey of Airline Passenger Traffic, accessed May 19, 2010

## **Airport Noise Compatibility Ordinance**

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

The Noise Ordinance allows the minimum permitted number of flights per day to be increased at the Airport in each operator flight restriction category so long as flights operate below annual noise budgets for each class of operator defined in the Noise Ordinance. The City has never authorized any increase in the minimum number of permitted air carrier or commuter flights at the Airport since the adoption of the Noise Ordinance. Such increases, however, could occur in the future if the airlines optimize their flight operations at the Airport. For the air carriers, this would include using the quietest aircraft models for every flight at the Airport and substantially reducing late night operations to reduce noise violations. The Report of the Airport Consultant assumes that there will be no increases in the minimum number of flights at the Airport during the projection period set forth in the Report of the Airport Consultant.

As of October 1, 2010, all of the Airport’s 41 air carrier slots are being utilized (JetBlue (30), US Airways (4), Allegiant Air (2), Frontier (2), Delta (1), FedEx (1), and United Parcel Service (1)). As of October 1, 2010, nine of the 25 commuter slots are utilized, with SkyWest Airlines (doing business as Delta) holding five such slots and Horizon Air (part of the Alaska Air Group) holding four such slots.

## **Passenger Enplanements**

The Airport is classified by the FAA as a “small hub facility” based on its percentage of nationwide enplanements. In Fiscal Year 2010, the Airport served 2.92 million enplaned and deplaned passengers (a decrease of 0.3% from Fiscal Year 2009). The following table sets forth historical enplanements for the Airport and the nation for the last ten Fiscal Years.

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**TABLE III**  
**LONG BEACH AIRPORT**  
**HISTORICAL ENPLANEMENTS**  
**Fiscal Years 2001 through 2010**

<b>Fiscal Year</b>	<b>Airport Enplanements</b>	<b>Airport Growth</b>	<b>U.S. Domestic Enplanements</b>	<b>U.S. Growth</b>	<b>Market Share</b>
2001	280,528 <sup>1</sup>	–	625,800,000	–	0.045%
2002	515,634	83.8%	575,100,000	(8.1)%	0.090
2003	1,386,078	168.8	587,800,000	2.2	0.236
2004	1,479,254	6.7	628,500,000	6.9	0.235
2005	1,520,918	2.8	669,500,000	6.5	0.227
2006	1,412,636 <sup>2</sup>	(7.1)	668,400,000	(0.2)	0.211
2007	1,446,140	2.4	690,100,000	3.2	0.210
2008	1,439,598	(0.5)	681,300,000	(1.3)	0.211
2009	1,466,884	1.9	631,300,000 <sup>3</sup>	(7.3)	0.232
2010	1,460,014	(0.5)	634,100,000 <sup>4</sup>	0.4	0.230
<b>Compounded Annual Growth Rate</b>					
2001 – 2003	122.3%		(3.1)%		
2003 – 2010	0.7		1.1		
2001 – 2010	20.1		0.1		

<sup>1</sup> JetBlue initiated service at the Airport in late Fiscal Year 2001.

<sup>2</sup> The 7.1% decrease in passenger activity at the Airport in Fiscal Year 2006 was primarily due to American Airlines discontinuing service at the Airport, due to poor economic route performance.

<sup>3</sup> Estimated by the FAA.

<sup>4</sup> Projected by the FAA.

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

As shown in the table above, passenger activity at the Airport increased from 280,528 enplanements in Fiscal Year 2001 to 1,460,014 in Fiscal Year 2010. This increase represents a compounded annual growth rate of 20.1% during this period, compared to a projection of 0.1% for the nation. The Airport's share of total U.S. enplaned passengers increased from 0.04% in Fiscal Year 2001 to 0.23% in Fiscal Year 2010, reflective of the higher compounded annual growth rate experienced at the Airport compared to the nation during this period.

### **Air Carriers Serving the Airport**

The Airport is presently served by six passenger air carriers and two all-cargo carriers. The passenger air carriers are JetBlue, Allegiant Air, Frontier, Delta, Horizon (part of the Alaska Air Group) and US Airways. The Airport cargo carriers are Federal Express and United Parcel Service.

**TABLE IV  
LONG BEACH AIRPORT  
AIRLINES SERVING THE AIRPORT<sup>1</sup>**

**Passenger Airlines**

Allegiant Air  
Frontier Airlines  
Horizon Air  
JetBlue Airways  
Mesa Airlines<sup>2</sup>  
SkyWest Airlines<sup>3</sup>

**Cargo Carriers**

Federal Express  
United Parcel Service

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<sup>1</sup> As of October 2010.

<sup>2</sup> Doing business as US Airways.

<sup>3</sup> Doing business as Delta.

Source: City of Long Beach

**Market Share of the Airlines**

JetBlue has the majority of passenger activity with over 76% of annual enplanements each of the last five Fiscal Years. In Fiscal Year 2010, JetBlue had an 81% share of enplaned passengers at the Airport, with Horizon, US Airways and Delta accounting for a combined 17% of enplanements during this same period. American Airlines' share of enplaned passengers at the Airport decreased significantly in Fiscal Years 2005 and 2006, as the carrier steadily decreased activity at the Airport from seven daily flights to four flights until ultimately ceasing service at the Airport in mid-Fiscal Year 2006. The following table sets forth the shares of enplanements by airlines at the Airport for Fiscal Years 2006 through 2010.

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**TABLE V**  
**LONG BEACH AIRPORT**  
**HISTORICAL ENPLANEMENTS BY AIRLINE**  
**Fiscal Years 2006 through 2010**

<u>Airline</u>	<u>Fiscal Year 2006</u>		<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>		<u>Fiscal Year 2009</u>		<u>Fiscal Year 2010</u>	
	<u>Enplanements</u>	<u>Share</u>	<u>Enplanements</u>	<u>Share</u>	<u>Enplanements</u>	<u>Share</u>	<u>Enplanements</u>	<u>Share</u>	<u>Enplanements</u>	<u>Share</u>
JetBlue	1,102,186	78.0%	1,142,177	79.0%	1,101,602	76.5%	1,150,629	78.4%	[ ]	[ ]%
Alaska <sup>1</sup>	114,084	8.1	144,571	10.0	113,310	7.9	141,821	9.7	[ ]	[ ]
US Airways <sup>2</sup>	102,162	7.2	102,091	7.1	105,467	7.3	90,622	6.2	[ ]	[ ]
SkyWest	29,936	2.1	57,301	4.0	71,865	5.0	83,812	5.7	[ ]	[ ]
ExpressJet	-	-	-	-	47,354	3.3	-	-	[ ]	[ ]
American	64,268	4.5	-	-	-	-	-	-	[ ]	[ ]
Total <sup>3</sup>	<u>1,412,636</u>	<u>100.0%</u>	<u>1,446,140</u>	<u>100.0%</u>	<u>1,439,598</u>	<u>100.0%</u>	<u>1,466,884</u>	<u>100.0%</u>	[ ]	[ ]

<sup>1</sup> Includes activity for Horizon Air (Fiscal Year 2009). Alaska discontinued service at the Airport at the end of November 2009].

<sup>2</sup> Includes activity for America West (Fiscal Years 2006 and 2007) and Mesa (Fiscal Years 2006 through 2010). Mesa currently provides service at the Airport as US Airways Express.

<sup>3</sup> Totals may not add due to individual rounding.

Source: City of Long Beach, California



## **Aircraft Operations**

The Airport is home to commercial, all-cargo, general aviation, military and corporate aircraft, as well as helicopters, flight schools, aircraft rental and leasing facilities, and aircraft manufacturers. In Fiscal Year 2007 total aircraft activity at the Airport was 399,622 operations (the highest number of operations in the Airport's history). Since Fiscal Year 2007, total aircraft activity at the Airport decreased to 354,727 operations in Fiscal Year 2008 and 302,672 operations in Fiscal Year 2009. In calendar year 2008 and through the first half of calendar year 2009, the combination of record high fuel prices and weakening economic conditions resulted in the worst financial environment for the U.S. airline industry since the terrorist attacks of September 11, 2001. Many domestic airlines announced significant capacity reductions, increases in fuel surcharges, fares and fees, and other measures to address these challenges. However, in Fiscal Year 2010, operations were up slightly to 309,565.

The following table sets forth aircraft operations at the Airport for Fiscal Years 2006 through 2010.

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**TABLE VI  
LONG BEACH AIRPORT  
HISTORICAL AIRCRAFT OPERATIONS  
Fiscal Years 2006 through 2010**

<b>Fiscal Year</b>	<b>Air Carriers</b>	<b>Commuters</b>	<b>Airline Total</b>	<b>General Aviation</b>	<b>All Cargo</b>	<b>Other Air Taxi</b>	<b>Military</b>	<b>Total</b>
2006	24,172	1,380	25,552	324,747	3,644	6,204	664	360,811
2007	25,164	2,644	27,808	361,511	3,750	5,858	695	399,622
2008	24,286	6,578	30,864	313,750	4,140	5,455	518	354,727
2009	25,642	3,970	29,612	264,041	3,714	4,535	770	302,672
2010	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	309,565
<b>Compounded Annual Growth Rate (Fiscal Years)</b>								
2006-2010	[ ]%	[ ]%	[ ]%	[ ]%	[ ]%	[ ]%	[ ]%	[ ]%

Source: City of Long Beach, California

## Landed Weight

The following table sets forth the share of landed weight by passenger airlines and all-cargo carriers at the Airport for Fiscal Years 2006 through 2010.

**TABLE VII  
LONG BEACH AIRPORT  
HISTORICAL LANDED WEIGHT BY AIRLINE  
Fiscal Years 2006 through 2010  
(Weight in Thousand Pounds)**

Airline	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
JetBlue	1,215,378	63.3%	1,327,842	65.9%	1,329,972	64.9%	1,420,162	68.7%	[ ]	[ ]%
All-Cargo Carriers	332,027	17.3	308,729	15.3	307,990	15.0	264,064	12.8	[ ]	[ ]
Alaska <sup>1</sup>	145,336	7.6	196,676	9.8	141,525	6.9	175,653	8.5	[ ]	[ ]
SkyWest	118,503	6.2	119,876	5.9	115,008	5.6	103,121	5.0	[ ]	[ ]
US Airways <sup>2</sup>	32,430	1.7	62,134	3.1	82,803	4.0	102,952	5.0	[ ]	[ ]
ExpressJet	-	-	-	-	71,528	3.5	-	-	[ ]	[ ]
American Airlines	77,546	4.0	-	-	-	-	-	-	[ ]	[ ]
Airport Total <sup>3</sup>	<u>1,921,220</u>	<u>100.0%</u>	<u>2,015,257</u>	<u>100.0%</u>	<u>2,048,825</u>	<u>100.0%</u>	<u>2,065,952</u>	<u>100.0%</u>	[ ]	[ ]

<sup>1</sup> Includes activity for Horizon Air (Fiscal Year 2009). Alaska discontinued service at the Airport at the end of November 2009.

<sup>2</sup> Includes activity for America West (Fiscal Years 2006 and 2007) and Mesa (Fiscal Years 2006 through 2010). Mesa currently provides service at the Airport as US Airways Express.

<sup>3</sup> Totals may not add due to individual rounding.

Source: City of Long Beach, California

## AIRPORT CAPITAL IMPROVEMENT PROGRAM

The Airport's current capital improvement plan (the "CIP") includes projects to be constructed at the Airport in Fiscal Year 2011 through Fiscal Year 2015. The CIP has a current estimated cost of approximately \$168.0 million. Included in this total is the design and construction of the Series 2010A Project, estimated at approximately \$41.1 million, and the construction of the Parking Structure (as discussed below). See "PLAN OF FINANCE—Series 2010A Project" for a description of the Series 2010A Project.

The CIP will be funded with a combination of Senior Bonds (including the Series 2010 Bonds and the Series 2009 Bonds) (\$81.3 million), pay-as-you-go Passenger Facility Charges (not including the Pledged Passenger Facility Charges) (\$12.8 million), Federal Airport Improvement Program ("AIP") grants (\$62.7 million) and local funds/available moneys of the Airport (\$11.2 million).

***Parking Structure Project.*** In Fiscal Year 2003, the City approved costs for the design of a new parking structure (the "Parking Structure") at the Airport. The Parking Structure, designed for construction in two phases based on projected passenger growth and actual need, will provide for 2,236 additional parking spaces at the Airport, in addition to the already existing Lot A, which contains 1,017 spaces. The Parking Structure, measuring 1.2 million square feet, will be a four-story building providing for parking on five levels and will include an elevator tower, security systems, fire sprinklers and offices for parking management personnel.

The City is currently in the construction phase of the Parking Structure. After construction, the Parking Structure will measure approximately 725,000 square feet and consist of 1,989 covered spaces and 247 surface spaces. The Parking Structure will include an elevator tower and offices for parking management personnel. The Parking Structure has been designed to accommodate the future installation of a photovoltaic panel array attached at the top level. The Parking Structure will cost an estimated \$45.3 million, inclusive of design, construction, architectural and other costs. The Parking Structure is being financed with a portion of the proceeds of the Series 2009 Bonds, and certain other moneys of the City.

The City entered into a Design-Build Contract, dated as of August 1, 2003, with ARB, Inc. for the design and construction of the Parking Structure. Construction on the Parking Structure commenced in April 2010 and completion is expected in November 2011. Currently, construction of the Parking Structure is on-time and on-budget.

***Other CIP Projects.*** In addition to the Series 2010A Project and the Parking Structure Project, the CIP includes the reconstruction of the air carrier ramp, which entails the replacement of deteriorated asphalt pavement with concrete, the construction of utility systems and pre-conditioned air systems. This project is estimated to cost approximately \$33 million and will be funded with AIP grants, pay-as-you-go Passenger Facility Charges and local funds.

Through Fiscal Year 2015, the CIP also includes several airfield rehabilitation projects, including (i) the rehabilitation of Taxiways G and J and access to Taxiways E and F and (ii) the rehabilitation of Runways 7R-25L and 7L-25R. The rehabilitation projects will involve replacing existing pavement and improving the shoulders, pavement markings, lighting, signage, and drainage systems. The total cost of these projects is estimated at approximately \$21 million for the taxiways and \$34 million for the runways. These projects will be funded with a combination of AIP grants, pay-as-you-go Passenger Facility Charges and local funds.

The CIP also includes the retrofitting of the mechanical and electrical systems of the Lakewood Boulevard and Spring Street Tunnels located directly beneath Runway 12-30 and Taxiways D and L. The

first phase of this project will cost approximately \$1.8 million and funding will come from a combination of pay-as-you-go Passenger Facility Charges, Intermodal Surface Transportation Efficiency Act funds and local funds. The second phase of this project will include the installation of new lighting and a new exhaust system. The second phase is not expected to commence within the next five years.

“APPENDIX A—REPORT OF THE AIRPORT CONSULTANT” for additional information on the CIP.

## **AIRPORT FINANCIAL MATTERS**

### **Summary of Financial Operating Information**

The City accounts for the activities of the Airport and the Enterprise as an enterprise fund on the accrual basis of accounting according to generally accepted accounting principles. The general purpose financial statements of the City for the Fiscal Years ended September 30, 2009 and 2008, included in Appendix B to this Official Statement, have been audited by KPMG LLP, independent auditors. See “INDEPENDENT AUDITORS.”

The following table sets forth the historical operating results of the Enterprise for Fiscal Years 2005 through 2009.

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**TABLE VIII**  
**LONG BEACH AIRPORT**  
**HISTORICAL OPERATING RESULTS**  
**Fiscal Years 2005 through 2009**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Operating Revenues:					
Land and Building Rentals	\$ 6,393,811	\$ 6,793,338	\$ 7,213,688	\$ 8,365,197	\$ 7,851,198
Parking Fees	8,193,835	7,512,483	8,030,908	8,562,484	8,778,840
Airport Concessions	4,695,477	4,938,651	5,372,472	5,173,047	4,158,955
Landing, Gate, and Ramp Fees	3,741,376	3,762,531	4,384,046	5,712,496	6,052,865
Other Fees and Charges	<u>1,785,176</u>	<u>1,789,130</u>	<u>1,835,766</u>	<u>2,239,324</u>	<u>2,425,211</u>
Total Operating Revenues	<u>\$24,809,675</u>	<u>\$24,796,133</u>	<u>\$ 26,836,880</u>	<u>\$ 30,052,548</u>	<u>\$ 29,267,069</u>
Operating Expenses:					
Personnel Services	\$ 5,863,713	\$ 6,934,574	\$ 7,676,956	\$ 7,997,820	\$ 8,214,510
Operations and Maintenance	7,319,655	7,911,967	8,187,006	9,834,959	9,114,687
City Services	4,380,406	5,413,365	6,324,244	6,595,852	6,979,004
General and Administration	1,640,274	595,317	856,631	1,401,731	1,074,620
Amortization Expense	--	131,096	126,276	122,348	117,881
Depreciation	<u>2,046,350</u>	<u>3,737,111</u>	<u>4,250,076</u>	<u>4,928,597</u>	<u>5,727,259</u>
Total Operating Expenses	<u>\$21,250,398</u>	<u>\$24,723,430</u>	<u>\$ 27,421,189</u>	<u>\$ 30,881,307</u>	<u>\$ 31,227,961</u>
Operating Income (Loss)	3,559,277	72,703	(584,309)	(828,759)	(1,960,892)
Non-Operating Revenues (Expenses):					
Net Interest Income (Expense)	\$ (380,411)	\$ 23,913	\$ 450,236	\$ 122,463	\$ (77,403)
Passenger Facility Charges	4,249,785	3,851,952	3,968,261	4,979,180	6,005,439
Operating Grants	1,282,778	57,629	--	--	--
Operating Security Agreement	--	--	--	287,875	352,640
Other Income, Net	<u>61,770</u>	<u>559,531</u>	<u>27,625</u>	<u>47,951</u>	<u>(268,232)</u>
Total Non-Operating Revenues (Expenses)	<u>\$ 5,213,922</u>	<u>\$ 4,493,025</u>	<u>\$ 4,446,122</u>	<u>\$ 5,437,469</u>	<u>\$ 6,012,444</u>
Income (Loss) Before Capital Grants	8,773,199	4,565,728	3,861,813	4,608,710	4,051,552
Capital Grants—Federal Aviation Administration	16,704,974	4,015,038	12,013,424	7,495,543	11,549,279
Capital Grants—Other Sources	--	--	<u>260,268</u>	<u>31,942</u>	--
Increase in Net Assets	<u>25,478,173</u>	<u>8,580,766</u>	<u>16,135,505</u>	<u>12,136,195</u>	<u>15,600,831</u>
Total Net Assets, Beginning of Year	<u>\$56,882,082</u>	<u>\$82,360,255</u>	<u>\$ 90,941,021</u>	<u>\$107,076,526</u>	<u>\$119,212,721</u>
Total Net Assets, End of Year	<u>\$82,360,255</u>	<u>\$90,941,021</u>	<u>\$107,076,526</u>	<u>\$119,212,721</u>	<u>\$134,813,552</u>

Source: City of Long Beach, California, based on the Enterprise Fund audited financial statements for Fiscal Years 2005 through 2009.

## Management’s Discussion of Recent Financial Results

**General.** Total operating revenues were \$29,267,069 for Fiscal Year 2009, a decrease of \$785,479 compared to Fiscal Year 2008. The decrease in operating revenues is attributable to, but not limited to, a decrease in commissions received from car rental companies operating at the Airport as a result of reduced demand due to the national recession, a decrease in building rentals due to the expiration and relinquishing of certain leases, and a decrease in airport concessions due in large part to the recession.

Total operating expenses were \$31,227,961 for Fiscal Year 2009, an increase of \$346,654 over Fiscal Year 2008. The increase in operating expenses is attributable to, but not limited to, an increase in personnel services due to additional personnel in the security and maintenance and facilities divisions and an increase in skill and marksmanship pay for special services officers, an increase in City services due to an increase in fire services, and an increase in depreciable assets resulting in a 16.2% increase in depreciation expenses.

**Airline Revenues.** Airline revenues are derived based on a “modified Airport residual” basis, which means that all revenues generated from Airport activities, other than airline revenues, are credited against total Airport costs, and airline rates and charges are subsequently established so as to make up the difference. Between Fiscal Years 2005 and 2009, passenger airline charges at the Airport increased from \$5.6 million in Fiscal Year 2005 to \$7.9 million in Fiscal Year 2009.

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

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

**TABLE IX**  
**LONG BEACH AIRPORT**  
**HISTORICAL AIRLINE PAYMENTS PER ENPLANED PASSENGER\***  
**Fiscal Years 2005 through 2009**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Landing Fees	\$3,391,919	\$3,417,853	\$3,379,694	\$4,420,115	\$4,581,122
Common Use Fees	1,726,495	1,699,343	1,743,411	2,165,213	2,367,393
Gate Use Fees	826,356	825,048	882,793	1,105,432	1,191,799
Ramp (RON) Fees	160,426	156,957	121,560	186,949	230,459
Terminal Rentals	<u>59,088</u>	<u>62,578</u>	<u>61,168</u>	<u>67,943</u>	<u>65,351</u>
Total Airline Fees	\$6,164,284	\$6,161,779	\$6,188,626	\$7,945,652	\$8,436,124
Less Fees from Cargo Airlines	<u>549,186</u>	<u>561,274</u>	<u>507,191</u>	<u>674,484</u>	<u>541,064</u>
Passenger Airline Charges	<u>\$5,615,098</u>	<u>\$5,600,505</u>	<u>\$5,681,435</u>	<u>\$7,271,168</u>	<u>\$7,895,060</u>
Enplanements	1,520,918	1,412,636	1,446,140	1,439,598	1,466,884
Airline Payments per Enplaned Passenger	\$3.69	\$3.96	\$3.93	\$5.05	\$5.38

\*Unaudited numbers.

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

***Non-Airline Revenues.*** The City also receives revenues from a variety of sources other than the airlines serving the Airport. The most significant sources of non-airline revenue are derived from parking, fixed base operators (“FBOs”), car rentals, non-aviation leases and restaurant/concessions. Non-airline revenues generated at the Airport increased from \$19.6 million in Fiscal Year 2005 to \$21.5 million in Fiscal Year 2009, representing a compounded annual growth rate of 2.3%.

Parking accounted for \$8.8 million (40.8%) of total non-airline revenues for Fiscal Year 2009. FBOs accounted for \$5.4 million (24.9%) of total non-airline revenues for Fiscal Year 2009. Car rentals accounted for \$2.8 million (13.2%) of total non-airline revenues in Fiscal Year 2009. However, due to a decline in demand, rental car revenues declined between Fiscal Years 2005 and 2009. Non-aviation revenues include the leased property surrounding the Airport, and accounted for \$2.5 million (11.8%) of total non-airline revenues in Fiscal Year 2009. Restaurant/concessions accounted for \$1.0 million (4.8%) of total non-airline revenues in Fiscal Year 2009.

***Maintenance and Operation Costs.*** The Airport’s Maintenance and Operation Costs increased from \$18.9 million in Fiscal Year 2005 to \$24.9 million in Fiscal Year 2009, a compounded annual growth rate of 7.1%. Major Maintenance and Operation Cost categories include personnel support, materials, supplies and services, city services and new terminal operation and maintenance costs.

### **Historical Debt Service Coverage**

The following table sets forth historical debt service coverage on the City’s Certificates of Participation (1993 Airport Refunding Project) (the “Series 1993 Certificates”) for Fiscal Years 2005 through 2009. The Series 1993 Certificates were fully prepaid on December 9, 2009 with a portion of the proceeds of the Series 2009B Bonds. The following table also sets forth Net Revenues (not including Passenger Facility Charges) collected at the Airport for the first ten months of Fiscal Years 2009 and 2010. The numbers in the following table were calculated in accordance with the terms of the Master Senior Indenture.

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**TABLE X  
LONG BEACH AIRPORT  
HISTORICAL DEBT SERVICE COVERAGE<sup>1</sup>**

	2005	2006	2007	2008	2009	First Ten Months of Fiscal Year	
						2009	2010
Revenues:							
Landing and Ramp Fees	\$ 3,552,345	\$ 3,574,810	\$ 3,501,254	\$ 4,607,064	\$ 4,811,581	\$ 3,572,319	\$ 3,712,608
Adjustment for JetBlue Rental Credit	(637,325)	(637,327)	--	--	--	--	--
Terminal Gate Fees and Rents	2,611,939	2,586,969	2,687,372	3,338,588	3,624,543	2,600,412	2,987,818
Automobile Parking Fees	8,193,836	7,512,483	8,030,908	8,562,484	8,778,840	7,406,280	6,696,300
Other Airport Concessions	4,291,928	4,619,352	5,044,768	4,887,958	3,923,481	3,125,126	3,227,290
FBO Rents and Fuel Fees	4,391,366	4,536,825	4,718,972	5,744,542	5,350,912	4,410,061	4,590,290
Other Land and Building Rentals and Fees	2,464,270	2,618,905	2,905,281	3,042,445	3,173,439	3,016,763	3,685,528
Interest Income	<u>253,074</u>	<u>427,369</u>	<u>684,386</u>	<u>633,668</u>	<u>273,361</u>	<u>257,664</u>	<u>110,503</u>
Total Revenues	<u>\$25,121,433</u>	<u>\$25,239,386</u>	<u>\$27,572,941</u>	<u>\$30,816,749</u>	<u>\$29,936,157</u>	<u>\$24,388,625</u>	<u>\$25,010,338</u>
Maintenance and Operation Costs:							
Personnel	\$ 5,859,050	\$ 6,866,641	\$ 7,610,179	\$ 7,879,883	\$ 7,930,925	\$ 6,316,710	\$7,204,565
Materials, Supplies and Services	5,215,564	5,744,159	6,029,789	6,475,449	6,705,184	4,795,067	5,451,569
City Services	7,842,841	7,978,605	9,455,263	10,133,772	9,312,084	7,308,897	5,909,106
Other	24,113	39,748	66,958	100,220	197,307	24,175	--
Operating Expenses Funded by SF06 Fund	--	--	--	<u>791,192</u>	<u>753,558</u>	<u>627,965</u>	<u>625,000</u>
Total Maintenance and Operation Costs	<u>\$18,941,568</u>	<u>\$20,629,153</u>	<u>\$23,162,189</u>	<u>\$25,380,516</u>	<u>\$24,899,058</u>	<u>\$19,072,814</u>	<u>\$19,190,240</u>
Net Revenues <sup>2</sup>	<u>\$ 6,179,865</u>	<u>\$ 4,610,233</u>	<u>\$ 4,410,752</u>	<u>\$ 5,436,233</u>	<u>\$ 5,037,099</u>	<u>\$ 5,315,811</u>	<u>\$ 5,820,097</u>
Transfer <sup>3</sup>	<u>\$ 322,577</u>	<u>\$ 323,480</u>	<u>\$ 322,621</u>	<u>\$ 322,318</u>	<u>\$ 322,636</u>		
Total Available to Pay Debt Service <sup>4</sup>	<u>\$ 6,502,442</u>	<u>\$ 4,933,713</u>	<u>\$ 4,733,373</u>	<u>\$ 5,758,551</u>	<u>\$ 5,359,735</u>		
Debt Service							
Series 1993 Certificates of Participation <sup>5</sup>	\$ 1,290,308	\$ 1,293,920	\$ 1,290,483	\$ 1,289,270	\$ 1,290,545		
Debt Service Coverage	5.04x	3.81x	3.67x	4.47x	4.15x		

<sup>1</sup> Unaudited numbers. Numbers were calculated in accordance with the terms of the Master Senior Indenture, which was executed in December 2009..

<sup>2</sup> Net Revenues is equal to Total Revenues less Total Maintenance and Operation Costs.

<sup>3</sup> Transfer is equal to 25% of Debt Service on the Series 1993 Certificates.

<sup>4</sup> Total Available to Pay Debt Service is equal to Net Revenues plus Transfer.

<sup>5</sup> The Series 1993 Certificates were fully prepaid on December 9, 2009 with a portion of the proceeds of the Series 2009B Bonds

Source: City of Long Beach, California.

## **PFC Program**

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

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

The Airport has received approval from the FAA to collect \$149,475,089 of PFCs, which approval is estimated to expire on September 1, 2025. Such approval is to collect a \$4.50 PFC on each enplaning passenger. As of June 30, 2010 the Airport had collected, including interest earnings thereon, \$32,062,387 of PFCs. The Airport expects to submit a new application to request additional collection and use authority for the eligible components (including, but not limited to debt service on the Series 2010 Bonds) of the Series 2010A Project. The Airport has previous FAA approval to impose PFCs in the amount of \$69,137,000 for the eligible components (including, but not limited to debt service on the Series 2010 Bonds) of the Series 2010A Project and certain other capital improvements to the Airport. Approval of the new application would provide the Airport with the authority to impose PFCs totaling \$86,532,700 for the eligible components (including, but not limited to debt service on the Series 2010 Bonds) of the Series 2010A Project and certain other capital improvements to the Airport. If the additional application is approved, the new PFC expiration date is estimated to be March 1, 2029.

See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS” for a discussion of the designation of certain PFCs as Revenues and the pledge of PFC Revenues to the payment of debt service on the Series 2010 Bonds. PFC Revenues can only be used to pay debt service on the PFC Eligible Portion of the Series 2010 Bonds.

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

The Airport’s ability to impose and use PFCs is subject to certain terms and conditions provided in the PFC Act, the PFC Regulations and the specific FAA approvals applicable to the Airport’s PFC program. The Airport’s authority to impose the PFC is also subject to certain provisions of the Noise Act and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. A failure by the Airport to comply with any of these requirements, or a violation by the Airport of the Noise Act, could result in a reduction or termination of the Airport’s authority to impose

PFCs and to use PFCs to pay debt service on the Series 2010 Bonds and to finance a portion of its CIP. Additionally, no assurance can be given that the Airport’s authority to impose the PFC will not be terminated by Congress, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Airport or that the Airport will not seek to decrease the amount of the PFC to be collected. See “CERTAIN INVESTMENT CONSIDERATIONS—Availability of PFCs.”

Significant changes to the PFC program are being considered by Congress. The City cannot predict when or whether Congress will adopt new legislation or the scope of such legislation. If authorized by Congress, future increases in PFCs may be applied for by the Airport and approved by the FAA. In such event, PFCs may be collected faster than anticipated. See “CERTAIN INVESTMENT CONSIDERATIONS—Availability of PFCs.”

**Federal Grants**

Under the AIP, the FAA awards grant moneys to airports around the country for capital improvement projects. AIP grants include entitlement funds, which are apportioned annually based upon enplaned passengers and cargo traffic, as well as discretionary funds, which are available at the discretion of the FAA based on a national priority system. In Fiscal Year 2010, the City authorized the acceptance of approximately \$8.9 million in federal AIP grants for the following projects at the Airport: Phase 2 of air carrier ramp, Taxiway G, and Runway 7L-25R runway safety area improvements. The following table sets forth federal grant funds received by the Airport for Fiscal Years 2006 through 2010.

**TABLE XI  
LONG BEACH AIRPORT  
FEDERAL GRANT FUNDS RECEIVED  
Federal Fiscal Years 2006-2010**

<b>Federal Fiscal Year<sup>1</sup></b>	<b>Federal Grant Funds Received</b>
2006	\$15,350,466
2007	5,511,569
2008	7,697,409
2009	8,807,719
2010	<u>8,943,521</u>
Total	<u>\$46,310,684</u>

<sup>1</sup> October 1 through September 30.

Pursuant to Section 119 of the Aviation and Transportation Security Act (“ATSA”), the City is eligible to receive moneys from the federal government as reimbursement for costs associated with additional law enforcement personnel, airport surveillance and the revalidation of all airport issued and approved identification. During Fiscal Year 2010, the City received approximately \$218,424 for security related reimbursements at the Airport.

**Rate Ordinance and Commercial Use Permits**

The financial operations of the Airport are established by the annual adoption of a Rate Ordinance (the “Rate Ordinance”) by the City Council and the granting of Commercial Use Permits (“Commercial Use Permits”) to the airlines. The Commercial Use Permit allows the use of the Airport on a month-to-month basis, and is cancellable on 30 days notice. Other than ticket counters and office space,

which are granted on an exclusive use basis, all other facilities at the Airport, including the boarding lounge, concourse, and baggage claim, are common use areas.

Rates and charges are established annually through the Rate Ordinance, subject to a mid-year adjustment. Rates are determined through the budget process, based upon projected Maintenance and Operation Costs, debt service, and capital outlay, less nonairline and indirect airline revenues. The City establishes rates for the airfield, a gate fee, a remain overnight fee, a common use fee, and a terminal rental rate. The common use fee is determined by the Airport Director based on the actual expenses for the common use areas, the number of airlines, and flight activity at the Airport. The fee is levied on a per enplaned passenger basis. Terminal rents for exclusive use space are levied on a per square foot basis, while the landing fee, gate fee, and remain overnight fee are based on landed weight. It has been the City’s practice to increase these fees by an equal percentage to achieve a balanced budget. Such fees and rents, and the basis for such fees and rents, are set forth below.

<u>Fee/Rent</u>	<u>Rate</u> <u>(Effective October 1, 2010)</u>	<u>Basis</u>
Landing Fee		
7:00 a.m. – 10:00 p.m.	\$2.85	Per 1,000 pounds of landed weight
10:00 p.m. – 7:00 a.m.	\$6.00	Per 1,000 pounds of landed weight
Common Use Fee	\$2.00	Per enplaned passenger
Gate Use Fee	\$0.85	Per 1,000 pounds of landed weight
Ramp Fee	\$0.70	Per 1,000 pounds of landed weight
Terminal Rents	\$1.70	Per square foot of leased space

The City is not aware of any formal dispute involving the Airport over any existing rates and charges. The City believes the rates and charges it imposes upon air carriers and other aeronautical users, and the rates and charges methodology utilized for the Rate Ordinance, are reasonable and consistent with federal law and applicable FAA regulations. See “CERTAIN INVESTMENT CONSIDERATIONS—Federal Law Affecting Airport Rates and Charges.”

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

**Pension Plans and Post Employment Healthcare Benefits**

**Pension Plan.** The Airport participates on a cost-sharing basis with the City in the California Public Employees’ Retirement System (“CalPERS”). The City (which includes the Enterprise) contracts with CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, including annual cost of living adjustments (“COLA”), and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS’ annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. Since CalPERS is on a fiscal year ending June 30, all actuarial calculations for the City’s retirement plan are made on a fiscal year ending June 30, which differs from the City’s September 30 fiscal year end.

Under the terms of the contract between CalPERS and the City, all full time employees are eligible to participate in CalPERS and become vested in the system after five years of service. The City has a multiple tier retirement plan with benefits varying by plan. Vested first and second tier safety

employees who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 3% of the employee's highest paid year of employment for each year of credited service. Vested first and second tier miscellaneous employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% of their highest paid year of employment for each year of credited service. The City created a third tier for miscellaneous employees hired after October 1, 2006. Vested third tier miscellaneous employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their highest paid year of employment for each year of credited service.

Retirees under the first tier are eligible to receive a maximum annual 5% cost-of-living increase in their retirement benefit, while those under the second and third tier are eligible to receive a maximum annual 2% cost-of-living increase.

Contribution requirements of plan members and the City are established and may be amended by CalPERS. For Fiscal Year 2009, safety and miscellaneous plan participants were required to contribute 9% and 8% of their annual covered salary, respectively. Safety employees paid CalPERS 2% of the 9% employee rate, and the City paid the remaining 7%. Miscellaneous employees paid 2% of the 8% employee rate, and the City paid the remaining 6%. In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll. For Fiscal Year 2009, the contribution rates were approximately 12.2% for miscellaneous employees and 15.9% for safety employees. For Fiscal Year 2010, the contribution rates will be 11.8% for miscellaneous employees and 16.0% for safety employees. For Fiscal Year 2011, the contribution rates will be 12.3% for miscellaneous employees and 17.1% for safety employees.

The Enterprise is billed by the City for its share of pension costs based on rates established by CalPERS. CalPERS does not calculate a separate pension obligation for the Enterprise. The Enterprise paid \$850,900 to the City in Fiscal Year 2009, which was equal to its annual required contribution for Fiscal Year 2009, and paid \$878,600 to the City in Fiscal Year 2010, which was equal to its annual required contribution for Fiscal Year 2010. The Enterprise expects to pay \$1,104,868 to the City in Fiscal Year 2011. The City cannot predict the levels of funding that will be required in the future.

As of the most recent actuarial valuation date (June 30, 2008), the safety plan's actuarial accrued liability was funded at 100.6%, and the miscellaneous plan had an unfunded actuarial accrued liability of \$91,614,000, with a funding ratio of 94.5%. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of the safety plan or the miscellaneous plan, as applicable. The ratios change every valuation year, reflecting asset performance, demographic changes, actuarial assumption/method changes, benefit structure changes or a variety of other actuarial gains and losses. Generally, the gains and losses that occur in the operation of the miscellaneous plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. However, CalPERS determined that the market volatility occurring in Fiscal Year 2009 was unique, and therefore should be treated separately from past gains and losses. Therefore, CalPERS approved a smoothing methodology for Fiscal Year 2009 where the losses for such year are isolated and amortized over a separate 30-year period and phased in over a three-year period. Such change will result in a second layer of contributions.

The following table shows the City's historical funding progression of CalPERS for 2004 through 2008, as of a June 30 actuarial valuation date.

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

<b>June 30 Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Entry Age Normal Accrued Liability (b)</b>	<b>Excess Funded (Deficit/ Unfunded) Assets (a) – (b)</b>	<b>Funded Status (a) / (b)</b>	<b>Annual Covered Payroll (c)</b>	<b>Excess Funded (Deficit/ Unfunded) Assets as a % of Covered Payroll [(a) – (b)] / (c)</b>
<b>Miscellaneous Employees</b>						
2004	\$1,256,773	\$1,310,060	\$(53,287)	95.9%	\$191,222	(27.9)%
2005	1,319,615	1,382,539	(62,924)	95.4	186,580	(33.7)
2006	1,394,797	1,467,665	(72,868)	95.0	193,944	(37.6)
2007	1,489,681	1,558,205	(68,524)	95.6	204,765	(33.5)
2008	1,576,159	1,667,773	(91,614)	94.5	215,224	(42.6)
<b>Safety Employees</b>						
2004	\$1,295,136	\$1,266,688	\$28,448	102.2%	\$102,845	27.7%
2005	1,353,870	1,314,223	39,647	103.0	103,583	38.3
2006	1,424,542	1,388,324	36,218	102.6	110,146	32.9
2007	1,514,813	1,479,271	35,542	102.4	119,753	29.7
2008	1,602,457	1,592,667	9,790	100.6	132,156	7.4

Source: City of Long Beach

See “Note 7 – Defined Benefit Pension Plan” in “APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE AIRPORT ENTERPRISE FUND FOR THE YEAR’S ENDED SEPTEMBER 30, 2009 AND 2008” for additional information about the pension plan.

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

At September 30, 2009, there were 580 participants in the City’s Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$17,517,000. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for Fiscal Year 2009 were \$7,250,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

The most recent actuarial study of current and future actuarial accrued liabilities of the City’s Retired Employees Health Insurance Program, dated January 29, 2010, was performed in accordance with Governmental Accounting Standards Boards Statement No. 16, “Accounting for Compensated

Absences”. According to the actuarial study, as of September 30, 2008, the City’s Retired Employees Health Insurance Program had an actuarial accrued liability of \$82,895,000. Additionally, the actuarial study estimated that the City’s Retired Employees Health Insurance Program would have an actuarial accrued liability, as of September 30, 2009, of \$87,342,000. The actuarial study takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, and an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996. The actuarial study assumes projected investment returns of 5.0%; wage increases of 3.5% per year for miscellaneous, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$6,250,000 has been fully funded and the long-term portion of the liability of \$76,645,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

The Enterprise paid \$65,239.50 to the City in Fiscal Year 2009 and an estimated \$79,582.25 to the City in Fiscal Year 2010 with respect to the Retired Employees Health Insurance Program. The Enterprise expects to pay approximately \$80,000 to the City in Fiscal Year 2011 with respect to the Retired Employees Health Insurance Program. The City cannot predict the levels of funding that will be required in future Fiscal Years.

See “Note 8 – Postretirement Healthcare Benefits” in “APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE AIRPORT ENTERPRISE FUND FOR THE YEAR’S ENDED SEPTEMBER 30, 2009 AND 2008” for additional information about the post-retirement health care benefits provided to the employees of the City.

## **Insurance**

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

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

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

## **REPORT OF THE AIRPORT CONSULTANT**

### **General**

In connection with the issuance of the Series 2009 Bonds, the City retained Ricondo & Associates, Inc., which is recognized as an expert in its field, to prepare the 2009 Report of the Airport Consultant. In connection with the issuance of the Series 2010 Bonds, the City has retained Ricondo & Associates, Inc. to prepare the 2010 Letter Report of the Airport Consultant, which supplements the 2009 Report of the Airport Consultant.

The Report of the Airport Consultant is included as Appendix A hereto, with the Airport Consultant's consent. The information regarding the analyses and conclusions contained in the Report of the Airport Consultant is included in the Official Statement in reliance upon the expertise of the Airport Consultant. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts contained therein.

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

**The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Report of the Airport Consultant will occur. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. See also "INTRODUCTION—Forward-Looking Statements," and "CERTAIN INVESTMENT CONSIDERATIONS—Report of the Airport Consultant."**

### **Projected Net Revenues and Debt Service Coverage**

The 2010 Letter of the Report of the Airport Consultant discusses, among other things, economic, airline traffic and financial data that has become available and certain assumptions incorporated in the financial projections have been updated based on Fiscal Year 2009 results, the terms of the Series 2009 Bonds, and refinement of the construction schedule for the new parking garage at the Airport. There have been no significant changes to the overall financial projections and debt service coverage ratios since the 2009 Report of the Airport Consultant. Air traffic projections have not changed from the projections reflected in the 2009 Report of the Airport Consultant.

The following table sets forth the projected Net Revenues, the projected debt service requirements for the Series 2010 Bonds and the coverage of such debt service requirements based upon the Net Revenues, as forecast by the Airport Consultant, for the years 2011 through 2016.

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

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

The assumptions and estimates underlying the forecasted financial information are inherently uncertain and, though considered reasonable by Airport management as of the date hereof, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause



actual results to differ materially from those contained in the forecasted financial information, including, among others, the risks and uncertainties described under “CERTAIN INVESTMENT CONSIDERATIONS.” Accordingly, there can be no assurance that the forecasted results are indicative of the future performance of the Enterprise or that actual results will not be materially higher or lower than those contained in the forecasted financial information. Inclusion of the forecasted financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

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**TABLE XIII**  
**LONG BEACH AIRPORT**  
**PROJECTED NET REVENUES AND DEBT SERVICE COVERAGE**  
**Fiscal Years 2011 through 2016**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Landing Fees	\$ 5,209,650	\$ 5,391,988	\$ 5,580,707	\$ 5,776,032	\$ 5,978,193	\$ 6,187,430
Common Use	2,951,000	3,054,285	3,161,185	3,271,826	3,386,340	3,504,862
Gate Use	1,838,700	1,903,055	1,969,661	2,038,600	2,109,951	2,183,799
Ramp (RON)	282,615	292,507	302,744	313,340	324,307	335,658
Terminal Rent	76,779	79,467	82,248	85,127	88,106	91,190
Nonairline Revenues	<u>20,929,325</u>	<u>24,350,517</u>	<u>25,246,765</u>	<u>25,911,122</u>	<u>26,597,676</u>	<u>27,373,145</u>
Total Revenues	<u>\$31,288,069</u>	<u>\$35,071,817</u>	<u>\$36,343,311</u>	<u>\$37,396,047</u>	<u>\$38,484,574</u>	<u>\$39,676,084</u>
Operating & Maintenance Expenses	<u>\$27,740,313</u>	<u>\$26,711,224</u>	<u>\$27,518,117</u>	<u>\$28,558,181</u>	<u>\$29,634,647</u>	<u>\$30,748,790</u>
Net Revenues	<u>\$ 3,547,756</u>	<u>\$ 8,360,594</u>	<u>\$ 8,825,194</u>	<u>\$ 8,837,866</u>	<u>\$ 8,849,926</u>	<u>\$ 8,927,294</u>
Pledged PFC Revenues	\$ 453,887	\$ 1,100,359	\$ 4,960,477	\$ 4,962,321	\$ 4,961,366	\$ 4,962,031
Pledged Revenues	\$ 4,001,644	\$ 9,460,953	\$13,785,671	\$13,800,103	\$13,811,117	\$13,889,060
Series 2009 Bonds	\$ 1,133,450	\$ 3,315,007	\$ 3,990,226	\$ 3,990,226	\$ 3,988,426	\$ 3,989,826
Series 2010 Bonds*	\$ 363,110	\$ 880,288	\$ 4,515,688	\$ 4,516,388	\$ 4,518,788	\$ 4,517,588
Funds Remaining	\$ 2,505,084	\$ 5,265,658	\$ 5,279,758	\$ 5,293,489	\$ 5,303,904	\$ 5,381,646
Coverage Calculation						
Pledged Revenues	\$ 4,001,644	\$ 9,460,953	\$13,785,671	\$13,800,103	\$13,811,117	\$13,889,060
Transfer Account (25% of Debt Service)	<u>\$ 374,140</u>	<u>\$ 1,048,824</u>	<u>\$ 2,126,478</u>	<u>\$ 2,126,653</u>	<u>\$ 2,126,803</u>	<u>\$ 2,126,853</u>
Pledged Revenues Available for Debt Service	\$ 4,375,784	\$10,509,777	\$15,912,150	\$15,926,756	\$15,937,921	\$16,015,914
Debt Service	\$ 1,496,560	\$ 4,195,295	\$ 8,505,914	\$ 8,506,614	\$ 8,507,214	\$ 8,507,414
Debt Service Coverage (with Transfer)	2.92x	2.51x	1.87x	1.87x	1.87x	1.88x

\*Preliminary; subject to change.

Source: Ricondo & Associates, Inc.

## **Sensitivity Analysis**

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

The specific assumptions made in the sensitivity analysis are provided in the Report of the Airport Consultant. See “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—Financial Analysis—Sensitivity Analysis.” Under the sensitivity analysis and based on the assumptions made therein, for the years 2013 to 2016, debt service coverage on the Senior Bonds (including the Series 2010 Bonds) was projected to range from 150% to 153% (including Transfer). This coverage would be lower (but still higher than the coverage required to be maintained under the rate covenants under the Master Senior Indenture) than the debt service coverage forecast in the Report of the Airport Consultant. See “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—Financial Analysis—Debt Service Coverage.”

## **THE AVIATION INDUSTRY AND THE AIRLINES**

### **Airline Operating Results and Financial Condition**

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

### **Aviation Security**

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

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

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

### **Availability of Information Concerning Individual Airlines**

Certain of the airlines or their parent corporations operating at the Airport, including JetBlue, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549, and at the SEC's regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 2511 and 233 Broadway, New York, New York 10279. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Department of Transportation, Research and Special Programs Administration, Office of Aviation Information Management, Data Requirements and Public Reports Division, at Room 4125, 400 7th Street, SW, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

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

*The City undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed in the preceding paragraphs, including, but not limited to, updates of such information on the SEC's website or links to other Internet sites accessed through the SEC's website.*

See also "CERTAIN INVESTMENT CONSIDERATIONS" for discussions regarding the effects of airline bankruptcies on the Airport.

### **JetBlue Airways**

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

The presence of JetBlue has increased the Airport's ranking of total enplaned and deplaned passengers nationwide from 118<sup>th</sup> in calendar year 2000 to 72<sup>nd</sup> in calendar year 2009. JetBlue is the dominant air carrier operating at the Airport. JetBlue accounted for approximately 81% of passenger enplanements at the Airport in 2010, as well as 30 of the Airport's 41 daily flights. JetBlue accounted for

approximately 22% of the Airport's direct revenues (landing fees, charges and rents) in Fiscal Year 2009. When taking into account indirect revenues (parking, rental cars and concessions derived from JetBlue passengers), JetBlue accounted for approximately 55% of the Airport's total revenues (both direct and indirect) in Fiscal Year 2009. See "CERTAIN INVESTMENT CONSIDERATIONS—Dominance of JetBlue Airways at the Airport" and "APPENDIX A—REPORT OF THE AIRPORT CONSULTANT."

JetBlue's SEC filings provide comprehensive financial, operational and other information concerning JetBlue and prospective investors are encouraged to review such filings prior to making an investment decision. Such filings are not part of this Official Statement nor have such filings been incorporated by reference herein.

## **AIRPORT ENVIRONMENTAL MATTERS**

### **General**

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

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

The Airport's most recent environmental impact report was prepared in November 2005 and certified in June 2006 (the "EIR") and focused on, among other things, the environmental impact the Terminal improvements and the Parking Structure would have on the Airport. The findings in the EIR showed that the impact of the Terminal improvements and the Parking Structure, among other projects, on the Airport would not be significant.

### **Aircraft Noise Impacts**

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

Airport proprietors can comply with noise standards through implementation of various measures including sound insulation of incompatible structures to reduce the interior noise levels to acceptable

levels, acquisition of incompatible properties located within the noise impact areas, and the purchase of noise easements from affected property owners.

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

In addition to complying with the Noise Ordinance, the City is taking measures to insulate homes in close proximity to the Airport for sound abatement purposes. On October 6, 2009, City Council adopted a plan to soundproof a number of neighboring homes. The project is estimated to cost approximately \$2.8 million, and is eligible to be funded with PFCs. The first 10 eligible homes are expected to receive soundproofing beginning in October 2010.

### **Hazardous Substances**

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

In addition to regulations related to the safe storage and use of hazardous materials, various federal, state and local agencies exercise responsibility related to the accidental discharge of harmful quantities of these materials to the environment. These agencies include: the Long Beach Fire Department, The Long Beach Health and Human Services Department – Hazardous Materials Division, The Los Angeles Regional Water Quality Control Board (the “Water Quality Board”), and The State Department of Toxic Substances Control.

The City routinely conducts comprehensive environmental compliance audits of all City and Airport tenant operated facilities to ensure compliance with all applicable regulations. Through these activities, the City has established a database of all known areas where hazardous materials have been accidentally discharged. The City works cooperatively with the relevant regulatory agency to insure the responsible tenants are remediating the contamination.

The Water Quality Board has required one of the Airport’s tenants to maintain an active ground water monitoring and remediation plan for the past two decades. Recently, based on scientific findings from this on-going effort, the Water Quality Board has taken steps to close this case based on the location and types of fuel products identified in portions of the area’s groundwater. The Water Quality Board determined that the tenant could not have been a contributor based on the evidence. Although the ground water petroleum “free product” does not contain jet fuel, and likely sources are underground pipelines or other contributors under or near the Airport, the Water Quality Board has recently issued an “Investigative Order”, requiring the City to take certain steps to continue the investigative process. Given the two-decade history of this effort and the lack of definitive source determination to-date, the investigative process may be on-going for an undetermined period of time.

Boeing has implemented an ongoing comprehensive environmental assessment and remediation program to clean up historic chemical releases to soil and groundwater from former industrial activities north and adjacent to the Airport, in coordination with the Water Quality Board. This remediation is mandated by Order of the Water Quality Board. The City and the Airport are working with Boeing in terms of providing access to potential groundwater monitoring and remediation locations in areas adjacent to the Airport/Boeing adjoining property line.

## **Emission Standards**

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

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

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

The City has conducted detailed analyses of air quality at and around the Airport, including a Human Health Risk Assessment completed in January 2005, and the EIR, which was prepared in November 2005 and certified in June 2006. Using SCAQMD criteria, Airport operational emissions will be under significant thresholds based on forecasts for Fiscal Year 2011, with the exception of nitrogen oxide, which at the Airport is primarily generated by aircraft operations, which are largely controlled by federal standards and guidelines.

## **CERTAIN INVESTMENT CONSIDERATIONS**

*Prospective purchasers of the Series 2010 Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The following information should be considered by prospective investors, in addition to the other matters set forth in this Official Statement in evaluating the Series 2010 Bonds. However, it does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Series 2010 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

## **Series 2010 Bonds are Special Obligations**

The Series 2010 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of Net Revenues (including PFC Revenues), and such other amounts, funds and accounts pledged under the Senior Indenture. None of the properties of the Enterprise and the Airport are subject to any mortgage or other lien (except for the lien created by the Senior Indenture on the Net Revenues) for the benefit of the owners of the Series 2010 Bonds and neither the full faith and credit nor the taxing power of the City, the State or any political subdivision or agency of the State is pledged to the payment of the principal of or interest on the Series 2010 Bonds.

## **Factors Affecting the Airline Industry**

**General.** Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Net Revenues (including PFC Revenues) available for payment of the Series 2010 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport, and business travel substitutes, including teleconferencing, videoconferencing and web-casting. If aviation and enplaned passenger traffic at the Airport do not meet forecast levels, a corresponding reduction could occur in forecasted Revenues and expenses.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the events of September 11, 2001.

Following are just a few of the factors affecting the airline industry including, regional and national economic conditions, costs of aviation fuel, international conflicts and threats of terrorism and structural changes in the travel market.

**Regional and National Economic Conditions.** Historically, the financial performance of the air transportation industry has correlated with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. In addition, traffic at the Airport will depend in part on the economic conditions in the State and local service area. The recession that began in late 2007, combined with reduced discretionary income, contributed to reduced airline travel demand in 2008 and 2009. The continuing weakness in the national, state and/or local economy may have an adverse effect on the air transportation industry, and on the Airport.

**Cost of Aviation Fuel.** Airline earnings are significantly affected by changes in the price of aviation fuel. According to the Air Transport Association, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to



production and refining facilities and weather. According to the Air Transport Association, a one-dollar increase in the price of oil per barrel equates to approximately \$415-475 million in annual additional expense for U.S. airlines. The price of aviation fuel rose to an all-time high of almost \$4.00 per gallon in July 2008. According to the Air Transport Association, the price of aviation fuel averaged approximately \$2.24 per gallon for the first six months of 2010. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

***International Conflict and the Threat of Terrorism.*** The increased threat of terrorism has had, and may continue to have, a negative impact on air travel. The City cannot predict the likelihood of future incidents similar to the events of September 11, 2011, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines operating at the Airport from such incidents or disruptions.

### **Dominance of JetBlue Airways at the Airport**

JetBlue is the dominant air carrier operating at the Airport, which serves as a West Coast focus city in JetBlue's route system. JetBlue currently operates 30 of the 41 daily flight slots operating from the Airport. In 2010, JetBlue accounted for approximately 81% of passenger enplanements at the Airport. No other airline accounted for more than 6% of passenger enplanements at the Airport in 2010.

JetBlue accounted for approximately 22% of the Airport's direct revenues (landing fees, charges and rents) in Fiscal Year 2009. When taking into account indirect revenues (parking, rental cars and concessions derived from JetBlue passengers), JetBlue accounted for approximately 55% of the Airport's total revenues (both direct and indirect) in Fiscal Year 2009.

The City has no information regarding the financial condition of JetBlue other than from SEC filings and press releases made by JetBlue. Any such information is not part of this Official Statement, nor has such information been incorporated by reference herein. See "THE AVIATION INDUSTRY AND THE AIRLINES—JetBlue Airways." No assurances can be given concerning the present or future financial viability of JetBlue.

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

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

### **Effect of Airline Bankruptcies**

As previously discussed, the profitability of the airline industry has deteriorated in recent years, with many airlines reporting substantial financial losses and several airlines filing for bankruptcy protection. See "THE AVIATION INDUSTRY AND THE AIRLINES—Airline Operating Results and Financial Condition" above. It is possible that one or more airlines serving the Airport will declare bankruptcy if costs cannot be contained. The City is unable to predict how long any airline in bankruptcy protection will continue operating at the Airport or whether any of these airlines will liquidate in the

future. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. It is not possible to predict the impact on the Airport of any future bankruptcies, liquidations or major restructurings of airlines. See “—Factors Affecting the Airline Industry” above and also “THE AVIATION INDUSTRY AND THE AIRLINES.”

In the event of an airline bankruptcy, the automatic stay provisions of the United States Bankruptcy Code (the “Bankruptcy Code”) could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the airline to the City or any action to enforce any obligation of the airline to the City. With the authorization of the bankruptcy court, the airline may be able to repudiate some or all of its agreements with the City and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation could also excuse the other parties to such agreements from performing any of their obligations. The airline may be able, without the consent and over the objection of the City, the Senior Trustee, and the holders of the Series 2010 Bonds, to alter the terms, including the payment terms, of its agreements with the City, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the airline may be able to assign its rights and obligations under any of its agreements with the City to another entity, despite any contractual provisions prohibiting such an assignment. The Senior Trustee and the holders of the Series 2010 Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the Series 2010 Bonds and that was received by the City or the Senior Trustee from the airline during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the City under any lease with the airline may be subject to limitations.

As described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS” the City will designate a certain amount of PFCs as Revenues and will pledge the PFC Revenues to the payment of debt service on the Series 2010 Bonds. As described under “AIRPORT FINANCIAL MATTERS—PFC Program,” the airlines serving the Airport are required to pay to the Airport PFCs collected from passengers on behalf of the Airport. The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the City) imposing the PFCs, except for any handling or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the City cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at the Airport. The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues. It is possible that the City could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the City cannot predict whether an airline operating at the Airport that files for bankruptcy protection would have properly accounted for the PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for the PFCs owed by such airline.

There may be delays in payments of principal of and interest on the Series 2010 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of an airline that could result in delays or reductions in payments on the Series 2010 Bonds. Regardless of any specific adverse determinations in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2010 Bonds.

## **Effect of Concessionaire Bankruptcies**

A bankruptcy of any significant concessionaire at the Airport could also result in delays or reductions in payments of principal of and interest on the Series 2010 Bonds, for reasons similar to those discussed above with respect to airline bankruptcies. Regardless of any specific adverse determinations in a concessionaire bankruptcy proceeding, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2010 Bonds.

## **Effect of City Bankruptcy**

The City is able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. Should the City become the debtor in a bankruptcy case, the holders of the Series 2010 Bonds will not have a lien on Revenues received by the City after the commencement of the bankruptcy case unless the bankruptcy court determines that Revenues constitute “special revenues” within the meaning of the Bankruptcy Code. “Special revenues” are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor. While the City believes that Revenues should be treated as “special revenues,” no assurance can be given that a bankruptcy court would not find otherwise. If Revenues are not “special revenues,” there could be delays or reductions in payments on the Series 2010 Bonds. Even if a court determines that Revenues are not “special revenues,” the Airport will be able to use Revenues to pay operation and maintenance costs of the Enterprise, notwithstanding any provision of the Senior Indenture or any other agreement to the contrary.

There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Series 2010 Bonds. The City cannot predict what types of orders and/or relief may be granted by a bankruptcy court that could have a material adverse effect on the City’s receipt or application of Revenues. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Series 2010 Bonds.

## **Regulations and Restrictions Affecting the Airport**

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

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

The Airport operates under the Noise Ordinance, which permits air carriers (passenger and all-cargo) to operate a minimum of 41 flights per day and commuter carriers to operate a minimum of 25 flights per day at the Airport. The Noise Ordinance allows the minimum permitted number of flights per day to be increased at the Airport in each operator flight restriction category so long as flights operate at or below annual noise budgets for each class of operator defined in the Noise Ordinance. At no time

since adoption of the Noise Ordinance has the City authorized any increase in the minimum number of permitted air carrier or commuter flights at the Airport. For more information on the Noise Ordinance, see “AIRPORT OPERATING INFORMATION—Airport Noise Compatibility Ordinance” herein.

### **Federal Law Affecting Airport Rates and Charges**

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

The City is not aware of any formal dispute involving the Airport over any existing rates and charges. The City believes the rates and charges it imposes upon air carriers and other aeronautical users, and the rates and charges methodology utilized for the Rate Ordinance, are reasonable and consistent with federal law and applicable FAA regulations. However, there can be no assurances that one or more airlines will not challenge the rates established by the City with respect to the Rate Ordinance or, if such a challenge were to be brought, that it would not be successful. A successful challenge to the rates set forth in the Rate Ordinance could limit the ability of the City to charge the airlines and other aeronautical rates required by the provisions of the Senior Indenture and would require the City to increase rates and fees charged to non-aeronautical users, which could have a material adverse impact on the financial condition of the Enterprise.

The City can provide no assurances that that the operation of the rate covenant set forth in the Master Senior Indenture will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. If the rate covenant set forth in the Master Senior Indenture would require the City to increase aeronautical rates and charges in order to provide sufficient funds to make payments on the Series 2010 Bonds, but the increased rates or charges would not be reasonable, then the City will not be able to increase such rates or charges and would require the City to increase rates and charges to non-aeronautical users (such as automobile parking, rental cars, terminal concessions, and other nonairline tenants). Under such circumstances there could be delays or reductions in payments on the Series 2010 Bonds.

Additionally, the policies of the FAA prohibit an airport from making direct or indirect payments that exceed the fair and reasonable value of the respective services and facilities provided to the airport. The City provides certain services to the Airport. If the FAA were to rule that the Airport’s payments to the City for the services provided by the City violate the policies of the FAA, the Airport would be solely responsible for correcting any such violations. If the Airport violates the policies of the FAA, the FAA may withhold payment of AIP grants or rescind the Airport’s ability to collect PFCs until the Airport corrects such violation. The City is not aware of any challenges by the FAA to the payments being made by the Airport to the City.

### **Availability of PFCs**

At the time of issuance of the Series 2010 Bonds, the City will designate certain PFCs as Revenues and will pledge PFC Revenues to the payment of debt service on the Series 2010 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS.” The City also expects to use approximately \$12.8 million of PFCs on a pay-as-you-go basis to finance a portion of the costs of the CIP. See “AIRPORT CAPITAL DEVELOPMENT PROGRAM.”

The amount of PFCs received by the City in future years will vary based upon the actual number of PFC-eligible passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. See “—Factors Affecting the Airline Industry” above. Additionally, the FAA may terminate the City’s ability to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFCs are not being used for approved projects in accordance with the FAA’s approval, the PFC Act, the PFC Regulations or the PFC Approvals; or (b) the City otherwise violates the PFC Act or the PFC Regulations. The City’s authority to impose the PFC may also be terminated if the City violates certain provisions of the Noise Act and its implementing regulations. The regulations under the Noise Act also contain procedural safeguards to ensure that the City’s authority to impose a PFC would not be summarily terminated. No assurance can be given that the City’s authority to impose the PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the City or that the City will not seek to decrease the amount of the PFC to be collected, provided such decrease does not violate the City’s covenant in the Senior Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—PFC Covenants.”

A shortfall in PFC revenues, as a result of the FAA or Congress reducing or terminating the City’s ability to collect PFCs or as a result of any other actions, may cause the City to increase rates and charges at the Airport to meet the debt service requirements on the Series 2010 Bonds and/or require the City to identify other sources of funding to pay for the costs of the CIP projects currently expected to be paid with PFC revenues, including issuing Additional Senior Bonds and/or additional Subordinate Obligations.

PFC Revenues are equal to the lesser of (a) 125% of the Aggregate Annual Debt Service on the PFC Eligible Portion of all Senior Bonds (including the Series 2010 Bonds), and (b) the total amount of Passenger Facility Charges received by the City in a Fiscal Year. If no Passenger Facility Charges are received by the City in a Fiscal Year, no PFCs will be included in Revenues and therefore no PFC Revenues will be pledged to the Series 2010 Bonds in that Fiscal Year. The Airport currently expects that it will receive all of the PFCs approved by the FAA by October 1, 2025 (February 1, 2027, if the FAA approves the Airport’s pending PFC application). Both the Series 2010A Bonds and the Series 2010B Bonds will have a final maturity date of June 1, 2040. Based on the Airport’s expectation that all approved PFCs will be received by October 1, 2025 (or February 1, 2027), after such date no additional PFC Revenues will be included in Revenues or pledged to the payment of the Series 2010 Bonds. However, even if no PFC Revenues are included in Revenues, the City may still use available PFCs to pay debt service on PFC Eligible Portion of the Series 2010 Bonds, subject to the PFC Act and the PFC Regulations.

### **Rate Covenant Not a Guarantee; Failure To Meet Projections**

The ability of the City to pay the principal of and interest on the Series 2010 Bonds depends on the ability of the City to generate Revenues in the levels required by the Senior Indenture. Although, as more particularly described herein, the City expects that sufficient revenues will be generated through the imposition and collection of the fees, rents charges and other Revenues described herein, there is no assurance that such imposition of fees, rents charges or other Revenues will result in the generation of Net Revenues in the amounts required by the Senior Indenture. As a result, the rate covenant set forth in the Master Senior Indenture does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the Series 2010 Bonds.

The City can provide no assurances that operation of the Rate Covenant set forth in the Master Senior Indenture will not be limited by the requirement of federal law that all aeronautical rates and charges be reasonable. If the Rate Covenant set forth in the Master Senior Indenture would require the

City to increase airline rates and charges in order to provide sufficient funds to make payments on the Series 2010 Bonds, but the increased airline rates or charges would not be reasonable, then the City will not be able to increase such rates or charges and would be required to increase non-airline rates and charges or take other actions to meet the Rate Covenant. Under such circumstances there could be delays or reductions in payments on the Series 2010 Bonds. See “—Federal Law Affecting Airport Rates and Charges” below.

Increasing the schedule of rentals, rates, fees and charges contained in long-term contracts for the use of the Airport and the Enterprise and for services rendered by the City and Airport officials in connection with the Airport and the Enterprise is subject to contractual, statutory and regulatory restrictions. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Rate Covenant” herein and “—Federal Law Affecting Airport Rates and Charges” below.

In addition, the financial forecasts contained in the Report of the Airport Consultant are based on a number of assumptions. Changes in circumstances could have a material adverse impact on the ability of the City to pay the principal of and interest on the Series 2010 Bonds.

### **Additional Obligations Can Be Issued Without Bondholder Consent**

Under the Master Senior Indenture the City is permitted to issue additional obligations without obtaining any consent from any holder of existing Series 2010 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Additional Bonds.” Such newly issued obligations may be junior to, or on a parity with the Series 2010 Bonds, as long as the requirements of the Senior Indenture are satisfied. Any such additional obligations may be secured by the trust estate and thus an increased amount of debt will be outstanding, but the amount of collateral for those obligations will not be increased. Certain of the conditions for the issuance of additional obligations relate to financial projections regarding the future operations of the Airport and the Enterprise. The City can provide no assurance that such projections will be achieved. If such projections are not achieved, there may be insufficient Revenues to make the required payments on all of the Series 2010 Bonds, unless airport rates and charges are increased. The City, however, may be unable to increase airport rates and charges as a result of federal law that requires all airport rates and charges to be reasonable. See “—Federal Law Affecting Airport Rates and Charges” above. Under such circumstances, there could be delays or reductions in payments on the Series 2010 Bonds.

### **Factors Affecting Capital Improvement Program**

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

increases in costs over the amounts projected by the City will not materially adversely affect the financial condition or operations of the Airport or the Enterprise.

### **Report of the Airport Consultant**

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

Accordingly, the projections contained in the Report of the Airport Consultant or that may be contained in any future certificate of the City or a consultant are not necessarily indicative of future performance, and neither the Airport Consultant nor the City assumes any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the City are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2010 Bonds are cautioned not to place undue reliance upon the Report of the Airport Consultant or upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues, PFCs and federal grants may be materially less than expected and consequently, the ability of the City to make timely payment of the principal of and interest on the Series 2010 Bonds may be materially adversely affected.

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

### **Impact of Potential Earthquakes**

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

### **Climate Change Issues**

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

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

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

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

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

### **Worldwide Health Concerns**

In the fall of 2009, the World Health Organization and the U.S. Department of Health and Human Services (through the Secretary of the Department of Homeland Security), declared public health emergencies as the result of outbreaks of a serious strain of H1N1 influenza or flu. This strain was apparently the first to be communicable from human-to-human, and thus posed a potential risk of an international influenza pandemic. This flu strain caused deaths to many whom were healthy young adults. Travel restrictions, as well as other public health measures, were imposed to limit the spread of this flu. In spring 2003, there was a similar outbreak of a serious strain of bird flu in Asia and Canada called “Severe Acute Respiratory Syndrome” or “SARS”. The outbreaks of H1N1 and SARS did not result in any direct reduction in enplanements at the Airport. However, future pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport and a corresponding decline in Revenues. The City is unable to predict how serious this situation may become, what effect it may have on air travel to and from the Airport, and whether any such effects will be material.



## **California High Speed Rail**

The California High Speed Rail Authority (the “CHSR Authority”) is pursuing a statewide high speed rail system in California. Phase 1 of the system will be from Anaheim to Los Angeles then through California’s Central Valley, and through the Pacheco Pass to the San Francisco Bay Area. Phase 2 will include extension to Sacramento, California and San Diego. As of July 2008, all program level environmental review work was completed. The CHSR Authority is now undertaking the project level review and approval process. On November 4, 2008, California voters approved a ballot initiative that allows the State to issue \$9.95 billion in bonds for transit and other projects, \$9.0 billion of which will go for development of the statewide high speed rail system. On January 28, 2010, it was announced that the State will receive \$2.25 billion in federal funds designated for high speed rail projects. If sufficient funds become available, the CHSR Authority expects that Phase 1 of the project could be completed in ten years.

The CHSR Authority plans to price its fares below air fares. The City is unable to predict the affect high speed rail will have, if any, on passenger traffic at the Airport and on the revenues of the Airport.

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

## **Enforceability of Remedies; Limitation on Remedies**

As discussed above under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Events of Default and Remedies; No Acceleration,” there is no right to acceleration of payments to bondholders under Indenture and bondholders may be required to make a separate claim for each semiannual payment not paid. Further, the remedies available to the owners of the Series 2010 Bonds upon an Event of Default under the Senior Indenture are in many respects dependent upon regulatory and judicial actions that are in many instances subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Senior Indenture may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the Series 2010 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2010 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors’ rights generally and by equitable remedies and proceedings generally.

## **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. See “INTRODUCTION—Forward-Looking Statements.”

## **TAX MATTERS**

### **General**

In the opinion of Kutak Rock LLP, Bond Counsel to the City, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2010A Bond for any period during which such Series 2010A Bond is held by a “substantial user” of the facilities financed or refinanced by the Series 2010A Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series 2010 Bonds is not a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax.

The opinions described in the preceding paragraph assume the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2010 Bonds. Failure to comply with such requirements could cause interest on the Series 2010 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2010 Bonds. The City will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2010 Bonds.

Bond Counsel is of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2010 Bonds is exempt from State of California personal income taxes.

The accrual or receipt of interest on the Series 2010 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2010 Bonds. The extent of these other tax consequences will depend upon such owners’ particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2010 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2010 Bonds.

### **Backup Withholding**

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2010 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2010 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Series 2010 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to

enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2010 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2010 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2010 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2010 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### **Tax Treatment of Original Issue Discount**

The Series 2010A Bonds maturing on June 1, 20\_\_ and the Series 2010B Bonds maturing on June 1, 20\_\_ (collectively, the “Discount Bonds”) are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described under “—General” above.

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

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

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

### **Tax Treatment of Original Issue Premium**

The Series 2010A Bonds maturing on June 1, 20\_\_ and the Series 2010B Bonds maturing on June 1, 20\_\_ (collectively, the “Premium Bonds”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in

the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Although the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

## **LITIGATION**

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance, sale, execution, or delivery of the Series 2010 Bonds or in any way contesting or affecting the validity of the Series 2010 Bonds or any proceedings of the City taken with respect to the issuance or sale thereof, or the power of the City to collect the Net Revenues or the PFCs pledged to the payment of the Series 2010 Bonds.

The operation of the Airport and the Enterprise gives rise to litigation from time to time, and the City is involved in various pending litigation matters. Although contemporaneous adverse awards in a number of pending matters which are not covered by insurance or payable from federal grants may result in increased rents, rates and charges for the use of the Airport, including amounts payable by the airlines operating at the Airport, the possibility is remote. Even in such event, the City believes that such awards would not have a material adverse affect on the ability of the City to meet its obligations under the Series 2010 Bonds.

## **RATINGS**

Fitch Ratings ("Fitch") and Moody's Investors Service Inc. ("Moody's") have assigned ratings of "[ ]" ([ ] outlook), and "[ ]" ([ ] outlook), respectively, to the Series 2010 Bonds. Such rating reflects only the views of Fitch and Moody's any desired explanation of the significance of such rating, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; and Moody's Investor Services, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2010 Bonds. Except as will be set forth in the Continuing Disclosure Certificate (see "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a form of the Continuing Disclosure Certificate), neither the City nor the Underwriters will undertake any responsibility either to bring to the attention of the registered owners of the Series 2010 Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

## **UNDERWRITING**

The Series 2010 Bonds will be purchased by Morgan Stanley & Co. Incorporated and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters"), from the City at a price of \$\_\_\_\_\_ (which is the par amount of the Series 2010 Bonds, plus an original issue premium of \$\_\_\_\_\_, less an original issue discount of \$\_\_\_\_\_, less an underwriters' discount of

\$\_\_\_\_\_), subject to the terms of a purchase contract (the “Purchase Contract”), between Morgan Stanley & Co. Incorporated, as representative of the Underwriters, and the City. The Purchase Contract provides that the Underwriters will purchase all of the Series 2010 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2010 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 2010 Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the cover hereof.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, one of the underwriters of the Series 2010 Bonds, has entered into a retail brokerage joint venture with Citigroup, Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Senior Series 2010 Bonds.

### **CONTINUING DISCLOSURE**

The City will covenant to provide such annual financial statements and other information in the manner required by Rule 15c2-12 of the SEC (17 C.F.R. § 240.15c2-12) (“Rule 15c2-12”). The City will enter into an undertaking (the “Undertaking”) for the benefit of the holders of the Series 2010 Bonds to provide certain financial information and operating data concerning the Enterprise and the Airport and certain other obligated persons, including JetBlue (to the extent JetBlue makes its financial information and operating data available to the public), and notices of certain events to the MSRB, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12. See “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein for a description of the Undertaking. A failure by the City to provide any information required thereunder will not constitute an Event of Default under the Senior Indenture.

The City inadvertently did not file all of the Fiscal Year 2009 financial information with respect to the Enterprise and the Airport that it had previously agreed to provide. Subsequent to its discovery of this oversight, the City filed all necessary Fiscal Year 2009 financial information with the MSRB.

### **FINANCIAL ADVISOR AND AIRPORT FINANCIAL CONSULTANT**

The City has engaged Gardner, Underwood & Bacon LLC, as financial advisor (the “Financial Advisor”) and Frasca & Associates, L.L.C., as airport financial consultant (the “Airport Financial Consultant”), in connection with the issuance of the Series 2010 Bonds. Under the terms of their engagements, the Financial Advisor and the Airport Financial Consultant are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

### **INDEPENDENT AUDITORS**

The general purpose financial statements of the Enterprise as of September 30, 2009 and 2008 and for the years then ended, included in this Official Statement as APPENDIX B, have been audited by KPMG LLP, independent auditors, as stated in their report appearing in APPENDIX B. KPMG LLP was not requested to consent to the inclusion of its report in APPENDIX B and it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy,

completeness or fairness of the statements made in this Official Statement (including the Report of the Airport Consultant), and no opinion is expressed by KPMG LLP with respect to any event subsequent to the date of its report.

### **APPROVAL OF LEGAL PROCEEDINGS**

The validity of the Series 2010 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the City. A complete copy of the proposed form of Bond Counsel's opinion is contained in Appendix E hereto. Certain matters will be passed upon for the City by the City Attorney. Certain matters will be passed upon for the City by Kutak Rock LLP, Disclosure Counsel to the City. Certain matters will be passed upon for the Underwriters by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation. Bond Counsel and Underwriters' Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

### **MISCELLANEOUS**

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

CITY OF LONG BEACH, CALIFORNIA

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

**APPENDIX A**  
**REPORT OF THE AIRPORT CONSULTANT**

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE  
AIRPORT ENTERPRISE FUND FOR THE  
YEAR'S ENDED SEPTEMBER 30, 2009 AND 2008**

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**APPENDIX C**

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

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “*Certificate*”) is executed and delivered by the City of Long Beach, California (the “*City*”) in connection with the issuance of its City of Long Beach, California Senior Airport Revenue Bonds, Series 2010A (the “*Series 2010A Bonds*”) and its City of Long Beach, California Senior Airport Revenue Bonds, Series 2010B (the “*Series 2010B Bonds*,” and together with the Series 2010A Bonds, the “*Series 2010 Bonds*”). The Series 2010 Bonds will be issued pursuant to the Master Senior Trust Indenture, dated as of December 1, 2010, as amended (the “*Master Senior Indenture*”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”), and the Second Supplemental Trust Indenture, dated as of November 1, 2010 (the “*Second Supplemental Senior Indenture*,” and together with the Master Senior Indenture, the “*Indenture*”), by and between the City and the Trustee. Additionally, the Series 2010 Bonds have been authorized by Resolution No. RES-10-[\_\_\_\_] adopted by the City on October 19, 2010 (the “*Resolution*”). The Series 2010 Bonds are being issued under and in accordance with the Charter of the City of Long Beach and Sections 3.52.110 et seq. of the Long Beach Municipal Code.

In consideration of the purchase of the Series 2010 Bonds by the Participating Underwriter (as defined below), the City covenants and agrees as follows:

**Section 1. Purpose of the Certificate.** This Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Series 2010 Bonds and in order to assist the Participating Underwriter in complying with 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 shall have the following meanings:

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

“*Beneficial Owner*” means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2010 Bonds (including persons holding Series 2010 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2010 Bonds for federal income tax purposes.

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

“*EMMA System*” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

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

“*GASB*” means the Governmental Accounting Standards Board.

“*Holders*” means either the registered owners of the Series 2010 Bonds, or if the Series 2010 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

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

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

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

“*Official Statement*” means the Official Statement, dated November 19, 2010, prepared and distributed in connection with the initial sale of the Series 2010 Bonds.

“*Participating Underwriter*” means any of the original underwriters of the Series 2010 Bonds required to comply with the Rule in connection with the offering of the Series 2010 Bonds.

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

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

“*State*” means the State of California.

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

(a) The City shall provide, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the City, to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Certificate by not later than 180 days after the end of the City’s Fiscal Year in each Fiscal Year. The City’s first Annual Report shall be due March 29, 2011. Not later than 15 Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate. The audited financial statements of the City may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted within 30 days from the date on which such financial statements become available. If the Fiscal Year changes, the City, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

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

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

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

#### **Section 4. Content of Annual Reports.**

(a) The City’s Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Series 2010 Bonds, unless otherwise noted):

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

(ii) Table I — “Debt Service Requirements for Senior Bonds” (only if such information changes);

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

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

(v) Table V — “Historical Enplanements by Airline”;

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

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

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

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

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

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

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

#### **Section 5. Reporting of Significant Events.**

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

- (i) principal and interest payment delinquencies;
- (ii) nonpayment related defaults;
- (iii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2010 Bonds;
- (vii) modifications to rights of bondholders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2010 Bonds; and
- (xi) rating changes.

(b) Whenever a Listed Event occurs with respect to the Series 2010 Bonds, the City shall as soon as possible, but in no event more than ten (10) days following such event, determine if such event would be material under applicable federal securities laws.



(c) If the City determines that a Listed Event would be material under applicable federal securities laws, the City shall promptly provide written notice of such occurrence to the Dissemination Agent (if other than the City) or to the MSRB through the EMMA System. If the Dissemination Agent is not the City, upon receipt of written notice of a Listed Event the Dissemination Agent shall promptly provide such notice of a Listed Event to the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2010 Bonds pursuant to the Indenture.

**Section 6. Termination of Reporting Obligation.** The City's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2010 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 2010 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Series 2010 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 2010 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2010 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2010 Bonds.

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

comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 9. Additional Information.** Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the City to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Series 2010 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent (if other than the City), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture and the sole remedy under this Certificate in the event of any failure of the City or the Dissemination Agent (if other than the City) to comply with this Certificate shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Indenture. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2010 Bonds.

**Section 12. Beneficiaries.** This Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Holders and beneficial Owners from time to time of the Series 2010 Bonds, and shall create no rights in any other person or entity..

[End of Continuing Disclosure Certificate]

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Certificate this 23<sup>rd</sup> day of November, 2010.

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
David Nakamoto, City Treasurer

[Signature page to Continuing Disclosure Certificate]

**EXHIBIT A**

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

Name of Issuer: City of Long Beach, California  
Name of Bond Issue: City of Long Beach, California Senior Airport Revenue Bonds, Series 2010A and  
City of Long Beach, California Senior Airport Revenue Bonds, Series 2010B  
Date of Issuance: November 23, 2010  
CUSIP: 542403 \_\_\_\_

NOTICE IS HEREBY GIVEN that the City of Long Beach, California (the “City”) has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated November 23, 2010, executed by the City for the benefit of the holders and beneficial owners of the above-referenced bonds. The City anticipates that the Annual Report will be filed by \_\_\_\_\_, 20\_\_.

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

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
Authorized Representative

**APPENDIX E**

**FORM OF APPROVING OPINION OF BOND COUNSEL**

November 23, 2010

City of Long Beach  
Long Beach, California

\$ \_\_\_\_\_  
**City of Long Beach, California**  
**Senior Airport Revenue Bonds**  
**Series 2010A**

\$ \_\_\_\_\_  
**City of Long Beach, California**  
**Senior Airport Revenue Bonds**  
**Series 2010B**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Long Beach, California (the "City") of \$ \_\_\_\_\_ aggregate principal amount of its City of Long Beach, California Senior Airport Revenue Bonds, Series 2010A (the "Series 2010A Bonds") and \$ \_\_\_\_\_ aggregate principal amount of its City of Long Beach, California Senior Airport Revenue Bonds, Series 2010B (the "Series 2010B Bonds," and collectively with the Series 2010A Bonds, the "Series 2010 Bonds"). The Series 2010 Bonds are being issued by the City pursuant to the Charter of the City of Long Beach (the "Charter"), Sections 3.52.110 *et seq.* of the Long Beach Municipal Code (the "Municipal Code"), the Master Senior Trust Indenture, dated as of December 1, 2009 (the "Master Senior Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the Second Supplemental Senior Trust Indenture, dated as of November 1, 2010 (the "Second Supplemental Senior Indenture," and together with the Master Senior Indenture, the "Indenture") by and between the City and the Trustee. Issuance of the Series 2010 Bonds has been authorized by Resolution No. RES-10-[\_\_\_\_], adopted by the City Council of the City on October 19, 2010 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

In connection with the issuance of the Series 2010 Bonds, we have examined the following:

- (a) a copy of the Charter;
- (b) a copy of the Municipal Code;
- (c) a certified copy of the Resolution;
- (d) an executed counterpart of the Master Senior Indenture;
- (e) an executed counterpart of the Second Supplemental Senior Indenture;
- (f) certifications of the City and others;
- (g) an executed copy of the Tax Compliance Certificate dated this date relating to the Series 2010 Bonds and other matters (the "Tax Certificate");
- (h) an opinion of the City Attorney; and

(i) such other documents, opinions and matters as we deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The City is a charter city and municipal corporation organized and existing under the Constitution of the State of California (the "State") and has the power to issue the Series 2010 Bonds.

2. The Master Senior Indenture and the Second Supplemental Senior Indenture have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, represent valid and binding agreements of the City enforceable in accordance with their terms.

3. The Series 2010 Bonds have been validly authorized and issued in accordance with the Charter, the Municipal Code, the Resolution, the Master Senior Indenture and the Second Supplemental Senior Indenture and represent valid and binding limited obligations of the City. The principal of and interest on the Series 2010 Bonds shall be payable solely from and are secured by a pledge and assignment by the City to the Trustee of the Net Revenues and certain funds and accounts created under the Master Senior Indenture and the Second Supplemental Senior Indenture, and not out of any other fund or moneys of the City. Neither the faith and credit nor the taxing power of the City, the State or any public agency, other than the City to the extent of the Net Revenues, is pledged to the payment of the principal of or interest on the Series 2010 Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2010A Bond for any period during which such Series 2010A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2010A Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Series 2010 Bonds is not a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2010 Bonds is exempt from present State personal income tax.

The opinions set forth in the first sentence of paragraph 4 regarding the exclusion of interest on the Series 2010 Bonds from gross income of the recipient is subject to continuing compliance by the City with covenants regarding federal tax law contained in the Master Senior Indenture, the Second Supplemental Senior Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2010 Bonds to be included in gross income retroactive to the date of issue of the Series 2010 Bonds. Although we are of the opinion that interest on the Series 2010 Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2010 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The obligations of the City and the security provided therefore, as contained in the Series 2010 Bonds, the Master Senior Indenture and the Second Supplemental Senior Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect and to the limitations on legal remedies against cities in the State. We have not undertaken any responsibility for the

accuracy, completeness or fairness of the Official Statement dated November \_\_, 2010, or any other offering material relating to the Series 2010 Bonds and express no opinion relating thereto. Our engagement with respect to the Series 2010 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

Very truly yours,

## APPENDIX F

### BOOK-ENTRY-ONLY SYSTEM

#### Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by The Depository Trust Company (“DTC”), New York, NY. Neither the City nor the Underwriters make any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2010 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE SENIOR 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 2010 BONDS UNDER THE RESOLUTION, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2010 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 2010 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2010 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

#### General

DTC will act as securities depository for the Series 2010 Bonds. The Series 2010 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 2010 Bond certificate will be issued for each maturity of the Series 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Senior Trustee.

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



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

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 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 2010 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 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 2010 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 2010 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

While the Series 2010 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2010 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 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 Senior 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 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or the Senior 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 Senior Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Senior 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 2010 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2010 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2010 Bonds will be printed and delivered to the registered holders of the Series 2010 Bonds.

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

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