

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.

**\$61,400,000****CITY OF LONG BEACH, CALIFORNIA**

\$48,435,000
Senior Airport Revenue Bonds
Series 2010A
(Private Activity)

\$12,965,000
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., L.L.C.**

MATURITY SCHEDULE

\$48,435,000
City of Long Beach, California
Senior Airport Revenue Bonds
Series 2010A
(Private Activity)

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP No.¹
2013	\$ 885,000	3.00%	1.70%	542403AX8
2014	915,000	3.00	2.23	542403AY6
2015	940,000	4.00	2.55	542403AZ3
2016	980,000	4.00	2.95	542403BA7
2017	1,020,000	5.00	3.29	542403BB5
2018	1,070,000	5.00	3.56	542403BC3
2019	1,120,000	5.00	3.82	542403BD1
2020	1,180,000	5.00	4.01	542403BE9
2021	1,240,000	5.00	4.21 ^C	542403BF6
2022	1,300,000	5.00	4.32 ^C	542403BH2
2023	1,365,000	4.25	4.40	542403BL3

\$2,905,000 4.50% Term Bonds due June 1, 2025, Yield: 4.65%; CUSIP No.¹: 542403BJ8
\$8,585,000 5.00% Term Bonds due June 1, 2030, Price: 100%; CUSIP No.¹: 542403BK5
\$24,930,000 5.00% Term Bonds due June 1, 2040, Yield: 5.15%; CUSIP No.¹: 542403BG4

\$12,965,000
City of Long Beach, California
Senior Airport Revenue Bonds
Series 2010B
(Governmental)

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	CUSIP No.¹
2012	\$240,000	3.00%	1.60%	542403BM1
2013	250,000	2.50	1.70	542403BN9
2014	255,000	3.00	2.23	542403BP4
2015	265,000	3.00	2.55	542403BQ2
2016	270,000	3.50	2.95	542403BR0
2017	280,000	4.00	3.29	542403BS8
2018	290,000	4.00	3.56	542403BT6
2019	305,000	4.00	3.82	542403BU3
2020	315,000	4.00	4.01	542403BV1
2021	330,000	4.125	4.21	542403BW9
2022	340,000	4.25	4.32	542403BY5
2023	355,000	4.25	4.40	542403BZ2

\$755,000 4.50% Term Bonds due June 1, 2025, Yield: 4.65%; CUSIP No.¹: 542403CA6
\$2,235,000 5.00% Term Bonds due June 1, 2030, Price: 100%; CUSIP No.¹: 542403CB4
\$6,480,000 5.00% Term Bonds due June 1, 2040, Yield: 5.15%; CUSIP No.¹: 542403BX7

^C Priced to the par call date of June 1, 2020.

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**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

\$48,435,000
City of Long Beach, California
Senior Airport Revenue Bonds
Series 2010A
(Private Activity)

\$12,965,000
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 \$48,435,000 City of Long Beach, California Senior Airport Revenue Bonds, Series 2010A (the “Series 2010A Bonds”), and the \$12,965,000 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 72nd 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.

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 ("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 has not been revised to reflect the final terms of the Series 2010 Bonds. 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.

Changes from the Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement, dated October 21, 2010 (the “Preliminary Official Statement”), including, among other things, information relating to amounts and maturities, interest rates, yields and other terms of the Series 2010 Bonds. This Official Statement also contains certain other changes and additions, as well as information reflecting events occurring since the date of the Preliminary Official Statement, which have been included in order to make this Official Statement complete as of its date. Purchasers of the Series 2010 Bonds should read this Official Statement in its entirety.

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 \$17,082,000 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. Construction bids for the Series 2010A Project were initially received on October 11, 2010. However, upon review by the City Attorney, all initial bids were declared defective or incomplete. The City readvertised for construction bids on October 29, 2010, and will accept new construction bids on November 24, 2010. City Council is expected to award a construction contract prior to the end of December 2010. The Series 2010A Project is not expected to exceed the original cost estimate of approximately \$37.3 million, which includes construction costs and contingencies, management fees, permit fees, and other administrative overhead costs. The Series 2010A Project will be financed with proceeds of the Series 2010 Bonds. Construction of the Series 2010A Project is expected to commence in early 2011 and be completed in the spring of 2013, as originally scheduled.

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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:

	<u>Series 2010A Bonds</u>	<u>Series 2010B Bonds</u>	<u>Total</u>
<i>Sources of Funds</i>			
Principal Amount	\$48,435,000.00	\$12,965,000.00	\$61,400,000.00
Net Original Issue Premium/(Discount)	66,143.85	(115,481.65)	(49,337.80)
Series A Subordinate Airport Commercial Paper Notes Unspent Proceeds	–	1,511,000.00	1,511,000.00
Series B Subordinate Airport Commercial Paper Notes Unspent Proceeds	<u>447,431.00</u>	<u>–</u>	<u>447,431.00</u>
<i>Total Sources</i>	<u>\$48,948,574.85</u>	<u>\$14,360,518.35</u>	<u>\$63,309,093.20</u>
<i>Uses of Funds</i>			
Deposit to Project Account	\$37,760,431.00	\$ –	\$37,760,431.00
Deposit to Capitalized Interest Account ¹	3,564,720.97	–	3,564,720.97
Refund Series A Subordinate Airport Commercial Paper Notes	3,750,000.00	–	3,750,000.00
Refund Series B Subordinate Airport Commercial Paper Notes	–	13,332,000.00	13,332,000.00
Deposit to Senior Reserve Fund	3,219,061.50	852,813.50	4,071,875.00
Costs of Issuance ²	<u>654,361.38</u>	<u>175,704.85</u>	<u>830,066.23</u>
<i>Total Uses</i>	<u>\$48,948,574.85</u>	<u>\$14,360,518.35</u>	<u>\$63,309,093.20</u>

¹ Represents all of the interest accruing on the Series 2010A Bonds through June 1, 2012.

² 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 15th 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 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, 2020 are not subject to optional redemption prior to maturity. The Series 2010 Bonds maturing on or after June 1, 2021 are subject to redemption prior to maturity, at the option of the City, on or after June 1, 2020, in whole or in part, at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Series 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, 2025 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:

Redemption Date (June 1)	Principal Amount
2024	\$1,420,000
2025*	1,485,000

* Final Maturity.

The Series 2010A Bonds maturing on June 1, 2030 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:

Redemption Date (June 1)	Principal Amount
2026	\$1,555,000
2027	1,630,000
2028	1,710,000
2029	1,800,000
2030*	1,890,000

* Final Maturity.

The Series 2010A Bonds maturing on June 1, 2040 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:

Redemption Date (June 1)	Principal Amount
2031	\$1,980,000
2032	2,080,000
2033	2,185,000
2034	2,295,000
2035	2,410,000
2036	2,530,000
2037	2,655,000
2038	2,790,000
2039	2,930,000
2040*	3,075,000

* Final Maturity.

The Series 2010B Bonds maturing on June 1, 2025 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:

Redemption Date (June 1)	Principal Amount
2024	\$370,000
2025*	385,000

* Final Maturity.

The Series 2010B Bonds maturing on June 1, 2030 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:

Redemption Date (June 1)	Principal Amount
2026	\$405,000
2027	425,000
2028	445,000
2029	470,000
2030*	490,000

* Final Maturity.

The Series 2010B Bonds maturing on June 1, 2040 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:

Redemption Date (June 1)	Principal Amount
2031	\$515,000
2032	540,000
2033	570,000
2034	595,000
2035	625,000
2036	660,000
2037	690,000
2038	725,000
2039	760,000
2040*	800,000

* 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 60th 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—CERTAIN DEFINITIONS AND SUMMARIES OF THE MASTER SENIOR INDENTURE AND THE SECOND SUPPLEMENTAL SENIOR INDENTURE—SUMMARY OF THE MASTER SENIOR INDENTURE” 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.

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.

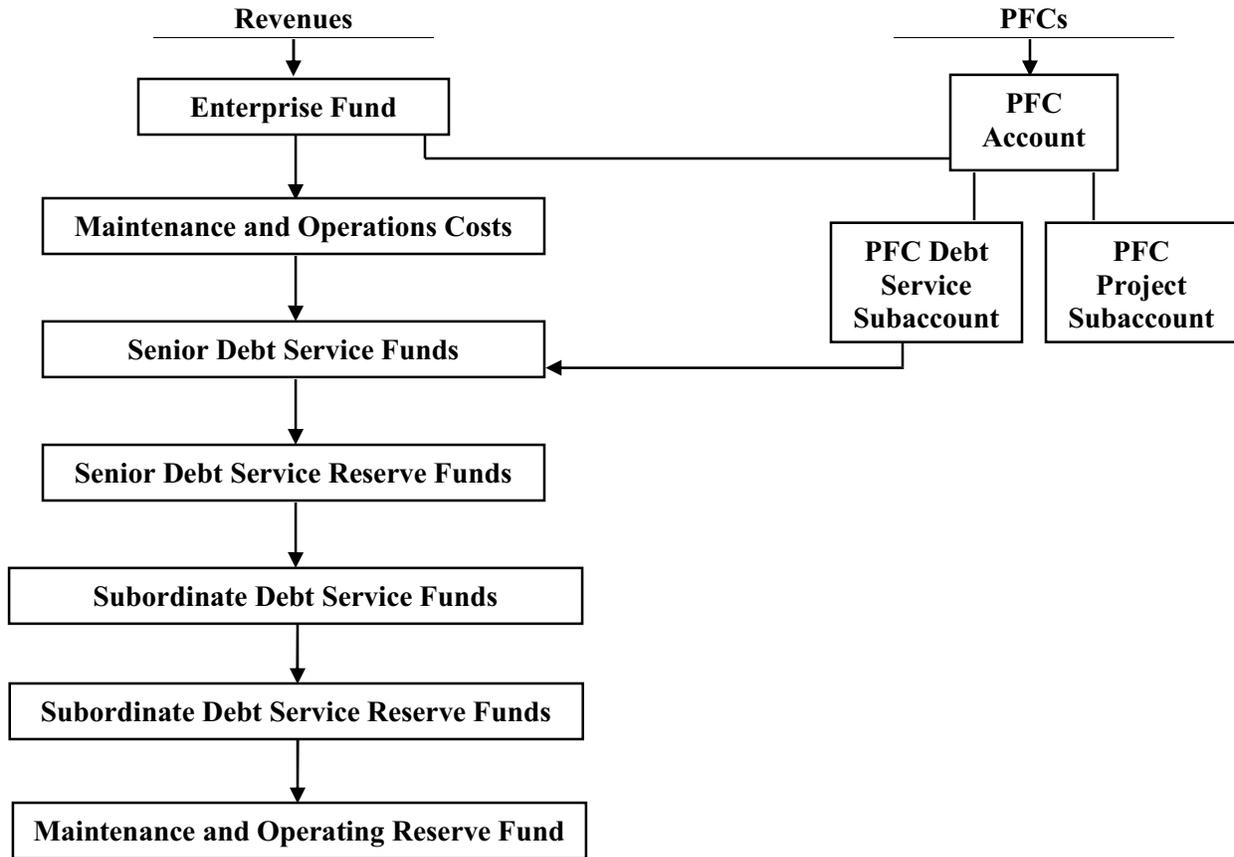
The Second Supplemental Senior Indenture defines “*PFC Principal Requirement*” to mean the amount of principal coming due on the next Payment Date with respect to the PFC Eligible Portion of the Bonds, net of any amounts deposited in the PFC Debt Service Subaccount or any Senior Debt Service Fund which 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 \$9,268,549.90 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."

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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 BONDS¹

Bond Year Ending June 1	Series 2009 Bonds^{2,3}	Principal of the Series 2010A Bonds⁴	Interest on the Series 2010A Bonds⁴	Principal of the Series 2010B Bonds⁴	Interest on the Series 2010B Bonds⁴	Total
2011	\$ 5,037,012	\$ —	\$ 1,222,933	\$ —	\$ 312,798	\$ 6,572,744
2012	5,194,862	—	2,341,788	240,000	598,975	8,375,625
2013	5,195,512	885,000	2,341,788	250,000	591,775	9,264,075
2014	5,195,512	915,000	2,315,238	255,000	585,525	9,266,275
2015	5,193,712	940,000	2,287,788	265,000	577,875	9,264,375
2016	5,195,112	980,000	2,250,188	270,000	569,925	9,265,225
2017	5,193,762	1,020,000	2,210,988	280,000	560,475	9,265,225
2018	5,192,450	1,070,000	2,159,988	290,000	549,275	9,261,713
2019	5,193,450	1,120,000	2,106,488	305,000	537,675	9,262,613
2020	5,196,387	1,180,000	2,050,488	315,000	525,475	9,267,350
2021	5,194,187	1,240,000	1,991,488	330,000	512,875	9,268,550
2022	5,196,675	1,300,000	1,929,488	340,000	499,263	9,265,425
2023	5,192,971	1,365,000	1,864,488	355,000	484,813	9,262,271
2024	5,149,841	1,420,000	1,806,475	370,000	469,725	9,216,041
2025	5,106,083	1,485,000	1,742,575	385,000	453,075	9,171,733
2026	5,055,255	1,555,000	1,675,750	405,000	435,750	9,126,755
2027	5,002,194	1,630,000	1,598,000	425,000	415,500	9,070,694
2028	4,946,517	1,710,000	1,516,500	445,000	394,250	9,012,267
2029	4,887,845	1,800,000	1,431,000	470,000	372,000	8,960,845
2030	4,820,796	1,890,000	1,341,000	490,000	348,500	8,890,296
2031	4,756,719	1,980,000	1,246,500	515,000	324,000	8,822,219
2032	4,687,935	2,080,000	1,147,500	540,000	298,250	8,753,685
2033	4,614,056	2,185,000	1,043,500	570,000	271,250	8,683,806
2034	4,539,695	2,295,000	934,250	595,000	242,750	8,606,695
2035	4,459,074	2,410,000	819,500	625,000	213,000	8,526,574
2036	4,371,806	2,530,000	699,000	660,000	181,750	8,442,556
2037	4,282,503	2,655,000	572,500	690,000	148,750	8,348,753
2038	4,190,387	2,790,000	439,750	725,000	114,250	8,259,387
2039	4,089,682	2,930,000	300,250	760,000	78,000	8,157,932
2040	—	3,075,000	153,750	800,000	40,000	4,068,750
Total	\$142,331,992	\$48,435,000	\$45,540,933	\$12,965,000	\$11,707,523	\$260,980,449

¹ Numbers may not total due to rounding to nearest dollar.

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

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

⁴ 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.

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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.

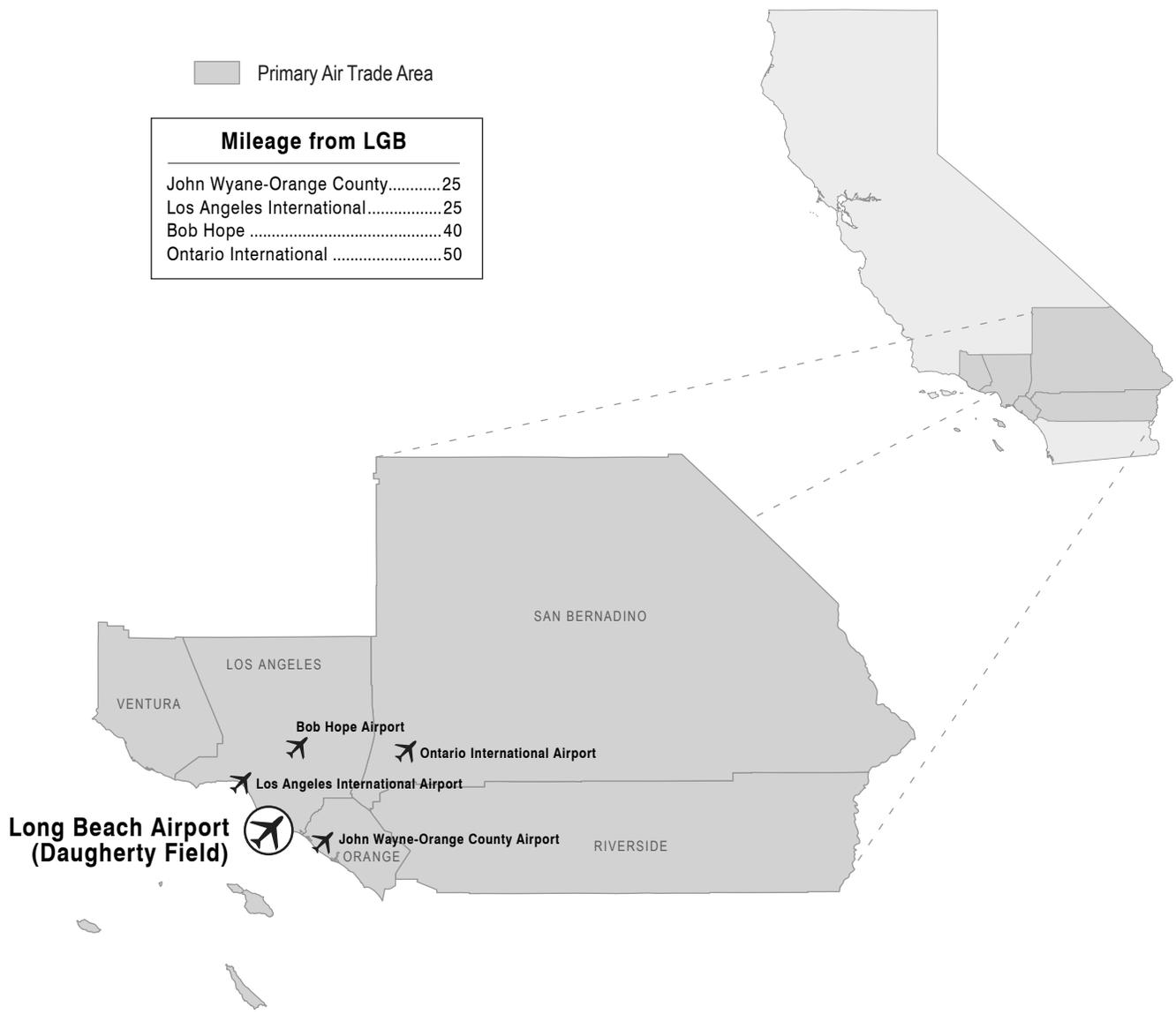
Additionally, located on Enterprise property and adjacent to the Airport, with direct airfield access, The Boeing Company (“Boeing”) maintains its C-17 military aircraft production facility, employing approximately 5,000 individuals. In addition, Boeing redeveloped 230 acres of former manufacturing land 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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Source: Map Resources 2007
 Prepared by: Ricondo & Associates, Inc.

Airport Air Trade Area and Alternative Facilities

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 ¹	Long Beach (LGB)		Los Angeles (LAX)		LA/Ontario (ONT)		Bob Hope (BUR)		John Wayne (SNA)		Total O&D Passengers
	O&D Passengers ²	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
Change in Share											
2000-2009		9.4%		(7.9%)		(1.7%)		(1.8%)		2.0%	
2003-2009		5.0		1.8		(3.3)		(2.6)		(0.8)	

¹ Fiscal Year ended September 30.

² 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

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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

Fiscal Year	Airport Enplanements	Airport Growth	U.S. Domestic Enplanements	U.S. Growth	Market Share
2001	280,528 ¹	–	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 ²	(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 ³	(7.3)	0.232
2010	1,460,041	(0.5)	634,100,000 ⁴	0.4	0.230
Compounded Annual Growth Rate					
2001 – 2003	122.3%		(3.1)%		
2003 – 2010	0.7		1.1		
2001 – 2010	20.1		0.1		

¹ JetBlue initiated service at the Airport in late Fiscal Year 2001.

² 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.

³ Estimated by the FAA.

⁴ 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 1,460,041 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.

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**TABLE IV
LONG BEACH AIRPORT
AIRLINES SERVING THE AIRPORT¹**

Passenger Airlines

Allegiant Air
Frontier Airlines
Horizon Air
JetBlue Airways
Mesa Airlines²
SkyWest Airlines³

Cargo Carriers

Federal Express
United Parcel Service

¹ As of October 2010.

² Doing business as US Airways.

³ 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>								
JetBlue	1,102,186	78.0%	1,142,177	79.0%	1,101,602	76.5%	1,150,629	78.4%	1,178,409	81.0%
Alaska ¹	114,084	8.1	144,571	10.0	113,310	7.9	141,821	9.7	73,011	5.0
US Airways ²	102,162	7.2	102,091	7.1	105,467	7.3	90,622	6.2	87,764	6.0
SkyWest	29,936	2.1	57,301	4.0	71,865	5.0	83,812	5.7	87,972	6.0
Allegiant	-	-	-	-	-	-	-	-	10,813	0.6
Frontier	-	-	-	-	-	-	-	-	22,072	1.5
ExpressJet	-	-	-	-	47,354	3.3	-	-	-	-
American	<u>64,268</u>	<u>4.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total ³	<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>	<u>1,460,041</u>	<u>100.0%</u>

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

² 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.

³ Totals may not add due to individual rounding.

Source: City of Long Beach, California

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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**

Fiscal Year	Air Carriers	Commuters	Airline Total	General Aviation	All Cargo	Other Air Taxi	Military	Total
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	25,030	5,618	30,648	270,137	3,500	4,366	914	309,565
Compounded Annual Growth Rate (Fiscal Years)								
2006-2010	0.9%	42.0%	4.7%	4.5%	1.0%	8.4%	8.3%	3.8%

Source: City of Long Beach, California

[Remainder of page left blank intentionally]

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								
JetBlue	1,215,378	63.3%	1,327,842	65.9%	1,329,972	64.9%	1,420,162	68.7%	1,407,016	73.4%
All-Cargo Carriers	332,027	17.3	308,729	15.3	307,990	15.0	264,064	12.8	187,513	9.7
Alaska ¹	145,336	7.6	196,676	9.8	141,525	6.9	175,653	8.5	80,872	4.2
SkyWest	118,503	6.2	119,876	5.9	115,008	5.6	103,121	5.0	97,625	5.0
US Airways ²	32,430	1.7	62,134	3.1	82,803	4.0	102,952	5.0	103,026	5.3
Allegiant	-	-	-	-	-	-	-	-	13,983	0.7
Frontier	-	-	-	-	-	-	-	-	25,778	1.3
ExpressJet	-	-	-	-	71,528	3.5	-	-	-	-
American Airlines	<u>77,546</u>	<u>4.0</u>	-	-	-	-	-	-	-	-
Airport Total ³	<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>	<u>1,915,813</u>	<u>100.0%</u>

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

² 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.

³ Totals may not add due to individual rounding.

Source: City of Long Beach, California

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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 \$37.3 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).

The CIP is supported by JetBlue and the other airlines operating at the Airport.

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. For the first ten months of Fiscal Year 2010, total operating revenues were \$25.0 million, an increase of \$0.6 million from the same period in Fiscal Year 2009. This increase in operating revenues is primarily due to higher land and building rentals, airline fees, fixed base operators ("FBO") rentals and fuel fees and concession revenues, offset by declines in automobile parking fees, which have been impacted by the economic recession and the commencement of construction of the new parking garage.

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. Total operating expenses were \$19.2 million for the first ten months of Fiscal Year 2010, an increase of \$0.1 million over the prior year. The increase in operating expenses is attributable to an increase in personnel services and materials, supplies and services, offset by a decrease in City services charges for the first ten months of Fiscal Year 2010. The Department anticipates the City services will increase for the full Fiscal Year 2010 when increased police costs are billed to the Airport.

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.

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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, 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.

**TABLE X
LONG BEACH AIRPORT
HISTORICAL DEBT SERVICE COVERAGE¹**

	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	253,074	427,369	684,386	633,668	273,361	257,664	110,503
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	--	--	--	791,192	753,558	627,965	625,000
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 ²	<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 ³	<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 ⁴	<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 ⁵	\$ 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		

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

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

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

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

⁵ 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**

Federal Fiscal Year¹	Federal Grant Funds Received
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>

¹ 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)

June 30 Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal Accrued Liability (b)	Excess Funded (Deficit/ Unfunded) Assets (a) – (b)	Funded Status (a) / (b)	Annual Covered Payroll (c)	Excess Funded (Deficit/ Unfunded) Assets as a % of Covered Payroll [(a) – (b)] / (c)
Miscellaneous Employees						
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)
Safety Employees						
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 YEARS 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 YEARS 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 Report of the Airport Consultant has not been revised to reflect the final terms of the Series 2010 Bonds.

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>25,911,038</u>	<u>26,597,501</u>	<u>27,373,880</u>
Total Revenues	<u>\$31,288,069</u>	<u>\$35,071,817</u>	<u>\$36,343,311</u>	<u>\$37,395,963</u>	<u>\$38,484,398</u>	<u>\$39,675,819</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>\$ 8,837,782</u>	<u>\$ 8,849,751</u>	<u>\$ 8,927,029</u>
Pledged PFC Revenues	\$ 380,366	\$ 1,028,359	\$ 4,445,237	\$ 4,448,619	\$ 4,445,330	\$ 4,446,491
Pledged Revenues	\$ 3,928,122	\$ 9,388,953	\$13,270,431	\$13,286,402	\$13,295,082	\$13,373,520
Series 2009 Bonds ¹	\$ 1,133,450	\$ 3,315,007	\$ 3,990,226	\$ 3,990,226	\$ 3,988,426	\$ 3,989,826
Series 2010 Bonds ²	<u>304,293</u>	<u>822,688</u>	<u>4,052,275</u>	<u>4,054,475</u>	<u>4,054,375</u>	<u>4,053,825</u>
Funds Remaining	\$ 2,490,380	\$ 5,251,258	\$ 4,227,930	\$ 5,241,700	\$ 5,252,280	\$ 5,329,869
Coverage Calculation						
Pledged Revenues	\$ 3,928,122	\$ 9,388,953	\$13,270,431	\$13,286,402	\$13,295,082	\$13,373,520
Transfer Account (25% of Debt Service)	<u>359,436</u>	<u>1,034,424</u>	<u>2,010,625</u>	<u>2,011,175</u>	<u>2,010,700</u>	<u>2,010,913</u>
Pledged Revenues Available for Debt Service	<u>\$ 4,287,558</u>	<u>\$10,423,377</u>	<u>\$15,281,057</u>	<u>\$15,297,577</u>	<u>\$15,305,782</u>	<u>\$15,384,433</u>
Debt Service	<u>\$ 1,437,743</u>	<u>\$ 4,137,695</u>	<u>\$ 8,042,501</u>	<u>\$ 8,044,701</u>	<u>\$ 8,042,801</u>	<u>\$ 8,043,651</u>
Debt Service Coverage (with Transfer)	2.98x	2.52x	1.90x	1.90x	1.90x	1.91x

¹ Numbers are net of both capitalized interest on the Series 2009 Bonds and the receipt by the City of any Federal Direct Payments with respect to the Series 2009C Bonds.

² Numbers are net of capitalized interest on the Series 2010A Bonds.

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 11th terrorist attacks. These significant challenges facing the airline industry have caused several smaller carriers to declare bankruptcy, most of which ceased or will potentially cease passenger operations. Many of the domestic network competitors have 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 11th terrorist attacks. In the aftermath of September 11th, the industry saw a material adverse shift in the demand for air travel. The result was five years of reported industry operating losses, totaling above \$28 billion dollars (excluding extraordinary charges and gains). The current industry reductions are primarily driven by 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 11th, and imposes a passenger fee of \$2.50 for each flight segment, not to exceed \$5.00 per one-way trip.

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

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

Availability of Information Concerning Individual Airlines

Certain of the airlines or their parent corporations operating at the Airport, including JetBlue, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, as such are required to file periodic reports, including financial and operational data, with the 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 Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

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 118th in calendar year 2000 to 72nd 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 11th, the Airport also has been required to implement enhanced security measures mandated by the FAA, the DHS and Airport management. See “THE AVIATION INDUSTRY AND THE AIRLINES—Aviation Security Concerns” above.

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

The Airport operates under 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, 2023, June 1, 2025 and June 1, 2040 and the Series 2010B Bonds maturing on June 1, 2020 through, and including, June 1, 2025 and on June 1, 2040 (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, 2013 through, and including, June 1, 2022 and the Series 2010B Bonds maturing on June 1, 2012 through, and including, June 1, 2019 (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 "A-" (stable outlook), and "A2" (stable 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

\$60,990,341.71 (which is the par amount of the Series 2010 Bonds, less a net original issue discount of \$49,337.80, less an underwriters' discount of \$360,320.49), 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

APPENDIX A
REPORT OF THE AIRPORT CONSULTANT

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City of Long Beach, California
Senior Airport Revenue Bonds, Series 2010A
Senior Airport Revenue Bonds, Series 2010B

LETTER REPORT OF THE AIRPORT CONSULTANT

Ricondo & Associates, Inc.
105 East Fourth Street, Suite 1700
Cincinnati, OH 45202
513.651.4700 (telephone)
513.412.3570 (facsimile)

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October 21, 2010

Mr. Mario Rodriguez
Airport Director
Long Beach Airport (Daugherty Field)
4100 Donald Douglas Drive
Long Beach, CA 90808

Re: ***City of Long Beach, California***
Senior Airport Revenue Bonds, Series 2010A
Senior Airport Revenue Bonds, Series 2010B
Appendix A: Letter Report of the Airport Consultant

Dear Mr. Rodriguez:

This letter report (Series 2010 Report) sets forth the key findings, revised assumptions, and updated projections of the air traffic and financial analyses developed by Ricondo & Associates, Inc. (R&A), in conjunction with the planned issuance by the City of Long Beach, California (City) of its Long Beach, California Senior Airport Revenue Bonds, Series 2010A (Series 2010A Bonds) and its Long Beach, California Senior Airport Revenue Bonds, Series 2010B (Series 2010B Bonds). The City is a municipal corporation organized and existing under its Charter and the Constitution and the laws of the State of California. Long Beach Airport (Airport or LGB) is operated by the City and is under the direction of the City Manager. The City has authorized the issuance of the Series 2010A Bonds which, together with investment earnings, will finance a portion of the construction of certain terminal projects (Series 2010 Project) at the Airport and refund a portion of the outstanding Subordinate Airport Commercial Paper Notes. The City has also authorized the issuance of the Series 2010B Bonds, which will refund a portion of the outstanding Subordinate Airport Commercial Paper Notes. The Series 2010A Bonds and the Series 2010B Bonds are collectively referred to in this Series 2010 Report as the “Series 2010 Bonds”.

R&A’s analysis of the Series 2010 Bonds is summarized herein and R&A identifies material changes from its *Report of the Airport Consultant* dated November 24, 2009 (Series 2009 Report), which was included in the Official Statement for the City’s Long Beach, California Senior Airport Revenue Bonds, Series 2009. Except as defined otherwise, the capitalized terms used in this Series 2010 Report are as defined in the Master Senior Trust Indenture (Indenture) and/or the Official Statement for the Series 2010 Bonds. This Series 2010 Report is intended for inclusion in the Official Statement for the Series 2010 Bonds as Appendix A, *Letter Report of the Airport Consultant*.

The remainder of this Series 2010 Report is generally organized into sections similar to those presented in the Series 2009 Report, including the following: Economic Base for Air Transportation,



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Air Traffic, Series 2010 Project, and Financial Analysis. Additionally, Attachment A to this report contains certain tables from the Series 2009 Report updated with data for the period most recently available, and Attachment B contains the Series 2009 Report. The table numbers for tables in Attachment A are not sequential, but are numbered the same as in the Series 2009 Report for ease of comparison.

Economic Base for Air Transportation

Based on a review of certain economic data and information made available since the time of the Series 2009 Report, the findings and conclusions presented in the Series 2009 Report regarding the economy of the Airport's Air Trade Area (the Los Angeles-Long Beach-Riverside Combined Statistical Area) remain valid (see Chapter I: Economic Base for Air Transportation of the Series 2009 Report). A brief discussion of the most recent unemployment data, as well as a summary of recent survey data from Blue Chip Economic Indicators and the National Association for Business Economics (NABE), is provided below.

As of June 2010, and as shown on **Exhibit 1**, the unemployment rate for the Air Trade Area was 12.1 percent (non-seasonally adjusted). This is slightly lower than the rate for California, where the unemployment rate was 12.3 percent (seasonally adjusted). The unemployment rate for the U.S. was 9.3 percent in June 2010 (seasonally adjusted). By comparison, the September 2009 data provided in the Series 2009 Report showed that the unemployment rate was 12.3 percent (non-seasonally adjusted) in the Air Trade Area, 12.2 percent (seasonally adjusted) in California, and 9.8 percent (seasonally adjusted) in the U.S. (Note: There is no seasonally adjusted monthly unemployment data available for the Air Trade Area.)

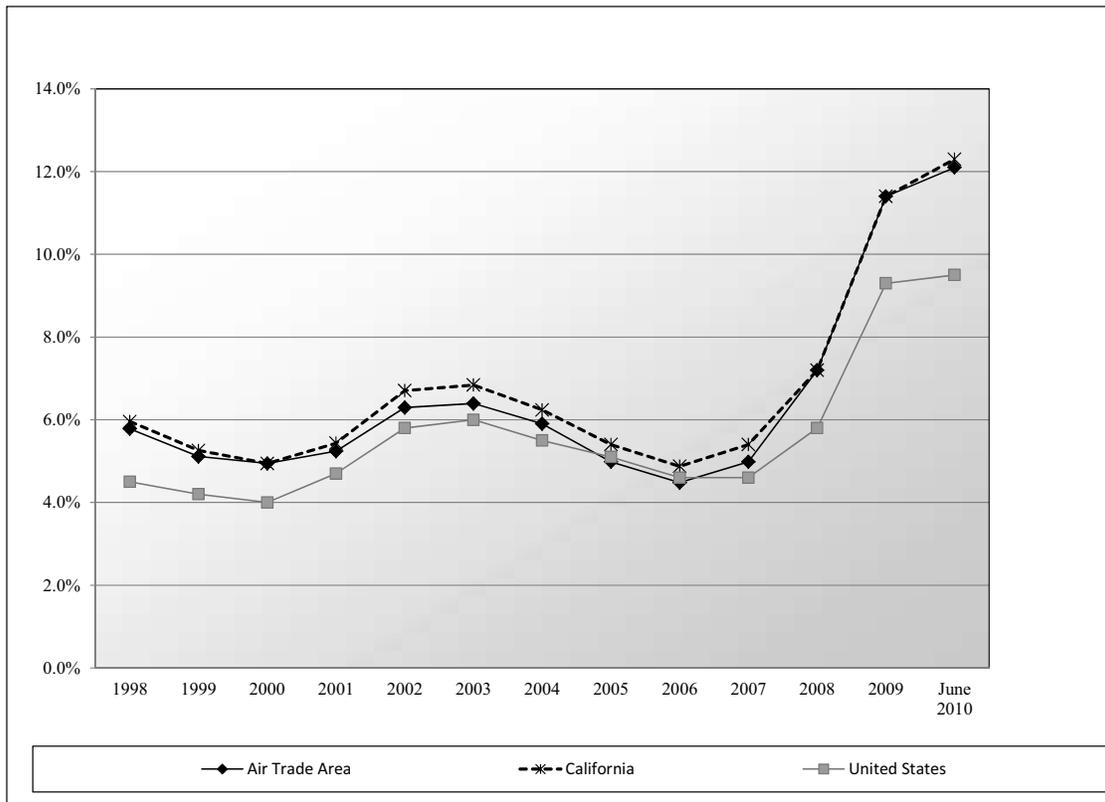
Although the Air Trade Area produced an estimated \$854 billion in gross regional product in 2009 (approximately six percent of the nation's total gross domestic product), it is nevertheless subject to overall economic conditions in the U.S. The most recently published surveys of leading economists by Blue Chip Economic Indicators (July 2010) and NABE (May 2010) indicate consensus for a modest rebound in national real GDP growth by the end of 2010. However, both forecast panels believe that the U.S. unemployment rate will remain elevated through the end of 2010, and that consumer spending will be restrained as savings-conscious households reduce debt.

The Blue Chip Economic Indicators forecast expects the economic recovery in 2010 to be moderate with annual GDP growth of 3.1 percent. The NABE forecast has a slightly more optimistic outlook of 3.2 percent growth in GDP in 2010. By comparison, data provided in the Series 2009 Report showed that Blue Chip Economic Indicators (September 2009) forecasted annual GDP in 2010 to be 2.4 percent, and NABE's 2010 annual GDP growth outlook (May 2009) was for 2.0 percent.



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Exhibit 1
Historical Unemployment Rates



Source: State of California Employment Development Department, Labor Market Information; U.S. Department of Labor, Bureau of Labor Statistics, August 2010.
Prepared by: Partners for Economic Solutions, August 2010.

Based on the analysis included in Chapter I: Economic Base for Air Transportation of the Series 2009 Report, as well as our review of the most recent unemployment data and economic forecast information discussed above, there is no change to our conclusion that the Air Trade Area's economic base remains broad and diversified, and will continue to support long-term growth in demand for air transportation services at the Airport.



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Air Traffic

The Series 2009 Report described historical aviation activity at the Airport, discussed key factors affecting these activities, and developed projections of future Airport enplanements, aircraft operations, and air carrier landed weight. The following section summarizes updated Airport air traffic statistics and characteristics relevant to this analysis. Updated projections of aviation demand are developed based on current data and used in the subsequent financial analysis of the Series 2010 Bonds.

As discussed in the Series 2009 Report, the Los Angeles region is served by five commercial service airports. 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's regional share of total enplaned passengers was relatively stable between calendar year (CY) 2003 through CY 2008, ranging from 3.3 percent in CY 2007 to 3.7 percent in CY 2003 during this period. The Airport's regional share was 3.5 percent in CY 2008 (the latest calendar year available for the Series 2009 Report) and was 3.7 percent in CY 2009 (see Table II-1 in Attachment A). In the Series 2009 Report, the Airport's average one-way fares for fiscal year (FY) 2008 (the latest fiscal year available for average fare data for the Series 2009 Report) were consistently lower than the other four airports when comparing short (0 to 600 miles), medium (601 to 1,800 miles), and long-haul (more than 1,800 miles) markets.¹ The Airport's average one-way fares for FY 2009 were also consistently lower than the other four airports among the three categories (see Table II-2 in Attachment A). In the Series 2009 Report, the Airport's regional share of West Coast corridor origin-destination (O&D) passengers steadily increased from 0.3 percent in FY 2003 to 5.9 percent in FY 2008. The Airport's regional share of West Coast corridor O&D traffic further increased to 9.4 percent in FY 2009, increasing from approximately 829,460 passengers in FY 2008 to approximately 1,129,330 passengers in FY 2009. This increase of approximately 365,000 O&D passengers in the West Coast corridor represents a 43.7 percent increase in FY 2009 from FY 2008 levels (see Table II-3 in Attachment A).

As discussed in the Series 2009 Report, the Long Beach City Council adopted the current Airport Noise Compatibility Ordinance (Ordinance) for the Airport in 1995. One component of the 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. These commuter slots are restricted to aircraft having a certificated maximum take-off weight less than 75,000 pounds. At the time of the Series 2009 Report, the 41 air carrier slots were allocated as follows: Alaska (5), FedEx (1), JetBlue (29), US Airways (4), and United Parcel Service (2); and nine commuter slots were allocated as follows: Delta (5) and Horizon Air (4).

¹ The Airport's fiscal year ends September 30.



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Alaska discontinued service at the Airport in November 2009. As a result, Alaska was required to relinquish all five of its air carrier slots at the end of December 2009 due to failure to maintain minimum flight usage. In January 2010, the City began procedures (Procedures) as outlined in the Flight Resolution for reallocation of six air carrier flight slots - five previously held by Alaska and one previously held by United Parcel Service that was relinquished at the end of December 2009 for failure to maintain minimum usage for two slots. Formal requests for slots were received from Delta (requesting six slots), JetBlue (requesting six slots), and new air carrier entrants Frontier (requesting two slots) and Allegiant Air (requesting six slots). Following Procedures, the six available air carrier slots were formally allocated at the end of February 2010 as follows: Delta (1), JetBlue (1), Frontier (2), and Allegiant Air (2). Procedures require operations to commence within six months of formal allocation. Utilizing March 1, 2010 as the effective date, operations needed to commence by September 1, 2010. JetBlue and Delta commenced immediately, Frontier commenced on May 14, 2010 and Allegiant Air commenced on July 1, 2010. As a result, the 41 air carrier slots are currently allocated as follows: Allegiant Air (2), Delta (1), FedEx (1), Frontier (2), JetBlue (30), US Airways (4), and United Parcel Service (1). The allocated commuter slots remain unchanged from the Series 2009 Report. **Table 1** presents the passenger airlines serving the Airport as of October 2010 compared to October 2009.

Table 1

Airlines Serving the Airport

<u>Series 2009 Report ^{1/}</u>	<u>Series 2010 Report ^{2/}</u>	
<u>Passenger Airlines (5)</u>	<u>Passenger Airlines (6)</u>	<u>Doing Business As</u>
-	Allegiant Air	
-	Frontier Airlines	
Alaska Airlines	-	
Horizon Air	Horizon Air	
JetBlue Airways	JetBlue Airways	
Mesa Airlines	Mesa Airlines	US Airways
SkyWest Airlines	SkyWest Airlines	Delta
<u>All-Cargo Carriers (2)</u>	<u>All-Cargo Carriers (2)</u>	
FedEx	FedEx	
United Parcel Service	United Parcel Service	

Notes:

- 1/ As of October 2009.
- 2/ As of October 2010.

Source: City of Long Beach, October 2010.
 Prepared by: Ricondo & Associates, Inc., October 2010.



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Table 2 presents monthly enplaned passengers at the Airport for FY 2010 and for FY 2009. As shown, enplaned passengers were 0.5 percent lower in FY 2010 in comparison to FY 2009. This decrease was primarily due to the reallocation process for the six available air carrier slots and the timing of utilizing those reallocated slots. As of July 2010, all 41 air carrier slots were being utilized at the Airport. With Frontier and Allegiant initiating service at the Airport in May 2010 and July 2010, respectively, the Airport experienced growth in monthly enplaned passengers since May 2010 compared to similar periods in FY 2009.

Table 2
 FY 2010 Monthly Enplaned Passenger Comparison to FY 2009

	FY 2010	FY 2009	Percentage Change
October	119,529	120,916	(1.1%)
November	108,530	116,675	(7.0%)
December	117,272	119,646	(2.0%)
January	104,109	110,024	(5.4%)
February	96,659	100,498	(3.8%)
March	117,041	120,973	(3.3%)
April	120,917	125,469	(3.6%)
May	129,359	125,963	2.7%
June	135,945	130,253	4.4%
July	144,068	138,608	3.9%
August	148,283	140,554	5.5%
September	118,329	117,305	0.9%
Total YTD	1,460,041	1,466,884	(0.5%)

Source: City of Long Beach, October 2010.
 Prepared by: Ricondo & Associates, Inc., October 2010.

As described in the Series 2009 Report, JetBlue had a 78.4 percent share of enplaned passengers at the Airport in FY 2009; with Alaska/Horizon Air, Mesa, and SkyWest accounting for a combined 21.6 percent of enplanements at the Airport during this same period. In FY 2010, JetBlue accounted for 80.7 percent of enplaned passengers at the Airport (see Table II-8 in Attachment A). With FY 2011 being the first full fiscal year of service at the Airport by Allegiant and Frontier, it is expected that JetBlue's share of enplaned passengers at the Airport will decrease accordingly in FY 2011 (but still have the predominate share of enplaned passengers at the Airport).

An important airport characteristic is the distribution of its O&D markets, which is a function of air travel demand and available services and facilities. This is particularly true for the Airport, as it



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services primarily O&D passengers.² An analysis of the change in the distribution of the Airport's primary (i.e., top 20) O&D markets was prepared, comparing FY 2009 markets to FY 2008 markets (see Table II-9 in Attachment A). Certain noteworthy changes to the composition of the primary O&D markets for the Airport in FY 2009 from FY 2008 (the latest fiscal year available for O&D markets for the Series 2009 Report) include the following:

- Seventeen of the top 20 O&D markets in FY 2008 remained in the top 20 in FY 2009. With JetBlue initiating nonstop service to Portland and San Francisco from the Airport in FY 2009, these O&D markets were ranked 5th and 7th, respectively, in FY 2009; whereas, they were ranked 22nd and 249th, respectively, in FY 2008. Prior to JetBlue's initiation of nonstop service from the Airport to San Francisco in October 2008, air travel to San Francisco from the Airport was via JetBlue's nonstop service to Oakland. Although O&D traffic to Oakland decreased by approximately 140,000 passengers in FY 2009 from FY 2008 levels, O&D traffic to San Francisco increased by approximately 160,000 passengers during this same period, a net of approximately 20,000 O&D passengers to the Oakland/San Francisco area. Portland's O&D traffic increased by approximately 165,000 passengers in FY 2009 from FY 2008 levels. The third new market included in the top 20 O&D markets for the Airport in FY 2009 was 17th-ranked Atlanta, which was ranked 30th in FY 2008.
- As a way to grow in the region, JetBlue initiated twice daily nonstop service from Los Angeles International Airport to Boston and New York in June 2009. With this service in place, JetBlue eliminated some East Coast route frequencies from the Airport to focus more on the profitable markets along the West Coast corridor (e.g., Portland and San Francisco). As a result, O&D traffic from the Airport to New York and Boston decreased approximately 85,000 passengers and 40,000 passengers, respectively, in FY 2009 from FY 2008 levels.
- With the strategy discussed above, the Airport's O&D traffic in the West Coast corridor increased by approximately 363,000 passengers in FY 2009 from FY 2008 levels (see Table II-3 in Attachment A).

In the Series 2009 Report, and as of October 2009, nonstop service from the Airport was provided to 15 destinations with a total of 43 flights, with three nonstop flights to Oakland (the Airport's top O&D market in FY 2008). For the Series 2010 Report, and as of October 2010, nonstop service is provided to 19 destinations with a total of 48 flights (see Table II-10 in Attachment A), with five nonstop flights to Seattle (the Airport's top O&D market in FY 2009). Primary O&D markets with a significant number of nonstop flights include third-ranked Salt Lake City (seven flights), seventh-ranked San Francisco (five flights), and 15th-ranked Phoenix (five daily flights). In January 2010, JetBlue discontinued its nonstop service to San Jose from the Airport, shifting the three daily nonstop flights from this market north to San Francisco to better serve the Bay Area (thereby increasing the number of daily nonstop flights from the Airport to San Francisco to five daily nonstop flights). New

² The City estimates O&D traffic at the Airport to be approximately 96.0 percent of its total passengers.



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air carrier entrant Frontier provides two daily nonstop flights from the Airport to Denver, and new air carrier entrant Allegiant Air provides nonstop service from the Airport to Bellingham, Washington (near Vancouver) three days a week, to Colorado Springs two days a week, to Idaho Falls two days a week, and to Stockton, California three days a week. Regardless of where or when Allegiant Air provides nonstop service from the Airport, it is limited to two flights per day, seven days a week.

For the Series 2010 Report, R&A conducted a telephone interview with the Director of Route Planning to discuss the operational and philosophical changes in JetBlue's use of the Airport since the Series 2009 Report.³ Specific points from this updated interview are discussed below:

- JetBlue is still attracted to the Airport for three main reasons: (1) the Airport's lower fees relative to its competing Los Angeles area airports, (2) the Airport's central location between the densely populated Los Angeles and Orange County area, and (3) the Airport's facility providing its passengers with a convenient and quick airport experience, adding to JetBlue's overall customer brand image.
- JetBlue applied for all six of the reallocated air carrier slots that became available at the Airport in December 2009. Although it only received one of these air carrier slots (increasing its air carrier slots at the Airport to 30), JetBlue will continue to apply for additional air carrier slots as they become available.
- JetBlue currently has no plans to order additional aircraft or further modify its planned aircraft delivery schedule. In February 2010, JetBlue announced that it deferred six Airbus A320 aircraft originally scheduled for delivery in 2011 and 2012 to 2015. JetBlue's operating fleet consisted of 110 Airbus A320 aircraft and 41 Embraer 190 aircraft at the end of June 2010. As of June 30, 2010, JetBlue's firm aircraft orders consisted of 55 Airbus A320 aircraft and 58 Embraer 190 aircraft scheduled for delivery through 2018.
- In April 2010, JetBlue redeployed the 100-seat Embraer 190 aircraft from the Airport to stations along the U.S. east coast. The Embraer 190 aircraft were redeployed from LGB for several factors: (1) to utilize a single fleet commonality in order to reduce the operational complexity (i.e. mechanics, pilots, and spare parts) at the facility; and (2) to increase the number of available seats for sale, thereby maximizing the seating-capacity per air carrier slots attained. As a result, JetBlue solely operates the 150-seat Airbus A320 aircraft at the Airport. Current fleetings of the Airbus A320 aircraft at the Airport is expected to remain unchanged for the foreseeable future. JetBlue does not plan on returning the Embraer 190 back to the Airport.

³ For the Series 2009 Report, R&A conducted a telephone interview with the (then) Director of Route Planning for JetBlue on January 6, 2009. This second telephone interview was conducted on August 9, 2010.



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- JetBlue still does not have any plans to apply for available commuter slots at the Airport, nor does it have any plans to acquire smaller regional aircraft or code-share with a regional operator.
- JetBlue is growing its presence in the Los Angeles area through Los Angeles International Airport (LAX). While the Series 2009 Report was being prepared, JetBlue initiated nonstop service from LAX to Boston and New York, resulting in the elimination of some East Coast route frequencies from the Airport and increased West Coast corridor service. This shifting of service at the Airport has continued through July 2010.
- JetBlue is planning to increase its systemwide capacity by 6.0 to 8.0 percent in 2010 and will continue to grow in 2011 at a pace consistent with its fleet growth.

For the Series 2010 Report, it is assumed that the projections of enplaned passengers, operations, and landed weight for FY 2011 through FY 2015 prepared for the Series 2009 Report are still valid. As discussed above, all 41 air carrier slots have been assigned at the Airport, with minimum usage of these slots being maintained by each of the air carriers. In addition, FY 2010 enplaned passengers were within 1.5 percent of the levels projected for FY 2010 in the Series 2009 Report. With an upcoming full fiscal year of activity by new air carrier entrants Allegiant Air and Frontier, the (now) 2.9 percent growth in enplaned passengers assumed for the Airport in FY 2011 from FY 2010 levels is reasonable to attain, with 0.8 percent to 0.9 percent annual growth thereafter. Therefore, and as provided in the Series 2009 Report, enplaned passengers at the Airport are projected to increase from 1,459,996 in FY 2010 to 1,554,100 in FY 2015. For purposes of these analyses, enplaned passengers were extrapolated to 1,567,600 (an increase of 0.9 percent from FY 2015 levels).

Series 2010 Project

The Series 2010 Project consists of the construction of a new passenger concourse at the Airport. The concourse will be comprised of 34,750 square feet of new construction housing north and south holdrooms with a garden core. The Series 2010 Project will include 26,500 square feet of new holdrooms with improved restrooms, 8,250 square feet of new concession space, and a consolidated passenger screening checkpoint utilizing 6,500 square feet of existing space. This project will bring the overall terminal area to 73,770 square feet, while accentuating the historic terminal building. It is anticipated that construction of the new passenger concourse will begin in late 2010/early 2011, with a completion date in spring 2013 (27-month construction period).

Financial Analysis

This financial analysis examines the cost and financial implications of the Series 2010 Bonds. On the basis of the financial analysis conducted for the Series 2010 Bonds, the Airport's projected cost per enplanement and debt service coverage and other applicable coverage tests are presented in



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summary format in this letter report. Certain tables from the Series 2009 Report that support the financial analysis, updated based on most recently available data, are included in Attachment A.

Series 2010 Bonds

Based on project costs developed by the City, Gardner, Underwood & Bacon LLC developed the required bond issue size and debt service estimates for the Series 2010 Bonds based on the following assumptions:

- Fixed-rate bonds are expected to be issued on December 1, 2010: \$62.3 million in Senior Airport Revenue Bonds, consisting of \$49.8 million Series 2010A Bonds and \$13.5 million Series 2010B Bonds.
- The final maturity date for the Series 2010 Bonds is June 1, 2040.
- The first interest payment for the Series 2010 Bonds is due June 1, 2011. The first principal payment for the Series 2010 Bonds is June 1, 2011.
- The average coupon interest rate for the Series 2010 Bonds is 6.0 percent.
- The debt service reserve requirement is funded from bond proceeds.
- The construction fund is gross funded with proceeds from the Series 2010A Bonds.
- Capitalized interest on the Series 2010A Bonds through June 1, 2012 is gross funded with proceeds from the Series 2010A Bonds.

A listing of the sources and uses of funds for the Series 2010 Bonds is presented in **Table 3**.

Table 3

Estimated Sources and Uses of Funds – Series 2010 Bonds

	Series 2010A Bonds	Series 2010B Bonds	Series 2010 Bonds
Sources			
Par Amount of Bonds	\$48,775,000	\$13,520,000	\$62,295,000
Cash Redemption of Commercial Paper	1,000,000	0	1,000,000
Total Sources	\$49,775,000	\$13,520,000	\$63,295,000
Uses			
Construction Fund	\$37,313,000	\$0	\$37,313,000
Debt Service Reserve Fund	3,630,232	1,006,268	4,636,500
Capitalized Interest	4,432,272	0	4,432,272
Refunding Escrow Deposits	3,750,000	12,332,000	16,082,000
Cost of Issuance	647,886	179,357	827,243
Other Uses - Additional Proceeds	1,611	2,375	3,986
Total Uses	\$49,775,000	\$13,520,000	\$63,295,000

Note: Amounts may not add due to rounding.

Source: Gardner, Underwood & Bacon LLC., September 2010.
 Prepared by: Ricondo & Associates, Inc., September 2010.



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Estimated Debt Service

Table 4 presents the actual debt service requirements resulting from the issuance of the Series 2009 Bonds, the estimated debt service requirements resulting from the issuance of the Series 2010 Bonds, and the existing debt service associated with the 1993 Certificates of Participation. Annual debt service requirements are estimated to be approximately \$4.5 million on the Series 2010 Bonds, with total annual debt service estimated to be approximately \$8.5 million.

Maintenance and Operation Costs

Exhibit 2 presents a comparison of total Maintenance and Operation (M&O or Operating) Costs for the Airport between the Series 2009 Report and the Series 2010 Report for actual FY 2009, estimated FY 2010, and projected for FY 2011 through FY 2015 (projected M&O Costs for FY 2016 is also shown for the 2010 Report). As shown in Exhibit 2, M&O Costs were projected in the Series 2009 Report to increase from \$25.6 million in FY 2009 to \$29.4 million in FY 2015 (the last fiscal year projected in the Series 2009 Report). As also shown, M&O Costs are projected in the Series 2010 Report to increase from \$24.9 million in FY 2009 to \$29.6 million in FY 2015. Although a 3.5 percent inflation rate between FY 2012 and FY 2015 was assumed for the Series 2009 Report and the Series 2010 Report, certain components in the short-term accounted for the slightly higher M&O Costs projected in the Series 2010 Report by FY 2015 (approximately \$230,000 higher in FY 2015).

- The M&O Costs category City Services covers services provided by other City departments such as police and fire, and is the largest source of M&O costs budgeted in FY 2010 (34.6 percent of the total). In FY 2011, a combined 9.8 percent increase in City Services costs at the Airport is expected for the police and fire departments. The increase to the Fire Memorandum of Understanding (MOU) Operating Costs represents contracted salary adjustments for FY 2011, including the Airport Rescue and Fire Fighting (ARFF) skill pay and a portion of the incremental overhead costs. Similarly, the increase to the Police MOU also represents contracted salary adjustments for FY 2011 and a portion of the incremental overhead costs.
- A new line item was added to M&O Costs to account for capital projects being charged back to Operating Costs by auditors at fiscal-year-end rather than being capitalized. These costs were \$753,558 in FY 2009, budgeted at \$750,000 in FY 2010, and increase 3.5 percent thereafter through FY 2016.
- The M&O Costs category Materials, Supplies, and Services (MSS) is the third largest M&O Costs category representing 27.8 percent of the budget for FY 2010. It is expected that MSS costs at the Airport will increase 9.8 percent in FY 2011, primarily due to higher rental and bussing costs for Lot D.

For detailed projections of M&O Costs for the Series 2010 Report, see Table IV-4 in Attachment A.



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Table 4
 Annual Debt Service (net of capitalized interest)

	Actual FY 2009	Estimated FY 2010	Projected					
			FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1993 Certificates of Participation								
Principal	\$870,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	420,545	187,000	0	0	0	0	0	0
Total 1993 Certificates of Participation	\$1,290,545	\$187,000	\$0	\$0	\$0	\$0	\$0	\$0
Series 2009A/C Bonds								
Principal	\$0	\$0	\$0	\$165,000	\$165,000	\$175,000	\$175,000	\$190,000
Interest	0	0	0	2,023,707	2,691,676	2,685,076	2,678,076	2,671,076
Total Series 2009A/C Bonds	\$0	\$0	\$0	\$2,188,707	\$2,856,676	\$2,860,076	\$2,853,076	\$2,861,076
Series 2009B Bonds								
Principal	\$0	\$855,000	\$905,000	\$925,000	\$960,000	\$995,000	\$1,040,000	\$1,075,000
Interest	0	122,109	228,450	201,300	173,550	135,150	95,350	53,750
Total Series 2009B Bonds	\$0	\$977,109	\$1,133,450	\$1,126,300	\$1,133,550	\$1,130,150	\$1,135,350	\$1,128,750
Series 2010 Bonds ^{1/}								
Principal	\$0	\$0	\$0	\$185,000	\$905,000	\$960,000	\$1,020,000	\$1,080,000
Interest	0	0	423,627	811,200	3,726,600	3,672,300	3,614,700	3,553,500
Investment Earnings - Debt Service Reserve Fund	0	0	(60,517)	(115,913)	(115,913)	(115,913)	(115,913)	(115,913)
Total Series 2010 Bonds	\$0	\$0	\$363,110	\$880,288	\$4,515,688	\$4,516,388	\$4,518,788	\$4,517,588
Total Annual Debt Service	\$1,290,545	\$1,164,109	\$1,496,560	\$4,195,295	\$8,505,914	\$8,506,614	\$8,507,214	\$8,507,414

Note: Debt service for the Series 2010 Bonds is preliminary and subject to change.

Sources: Kidder, Peabody & Company (1993 Certificates of Participation), 1993; J.P. Morgan Securities, Inc. (Series 2009 Bonds), November 2009; Gardner, Underwood & Bacon LLC (Series 2010 Bonds), September 2010.

Prepared by: Ricondo & Associates, Inc., September 2010.

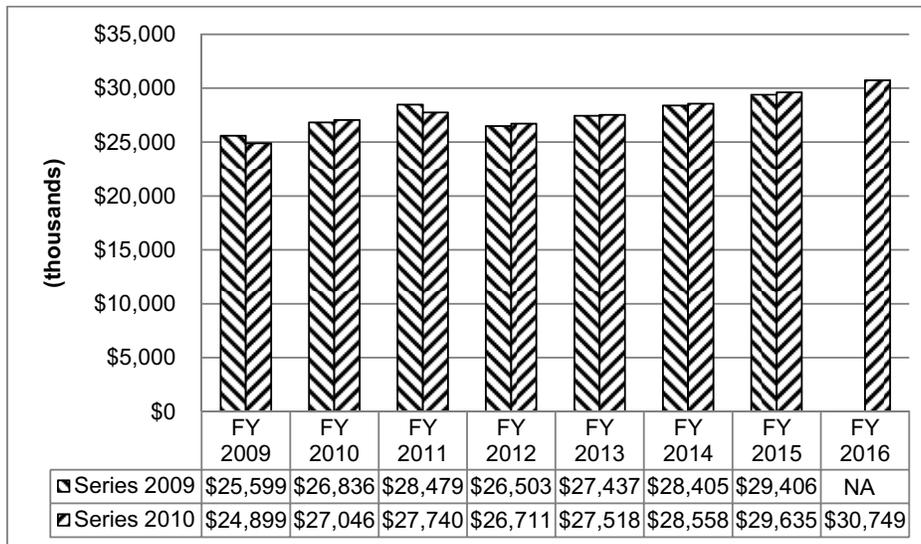
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Exhibit 2

Total M&O Expenses – Series 2009 Report versus Series 2010 Report (Dollars in Thousands)



NOTE: NA = Not Available

Source: City of Long Beach, August 2010.
 Prepared by: Ricondo & Associates, Inc., August 2010.

Nonairline Revenues

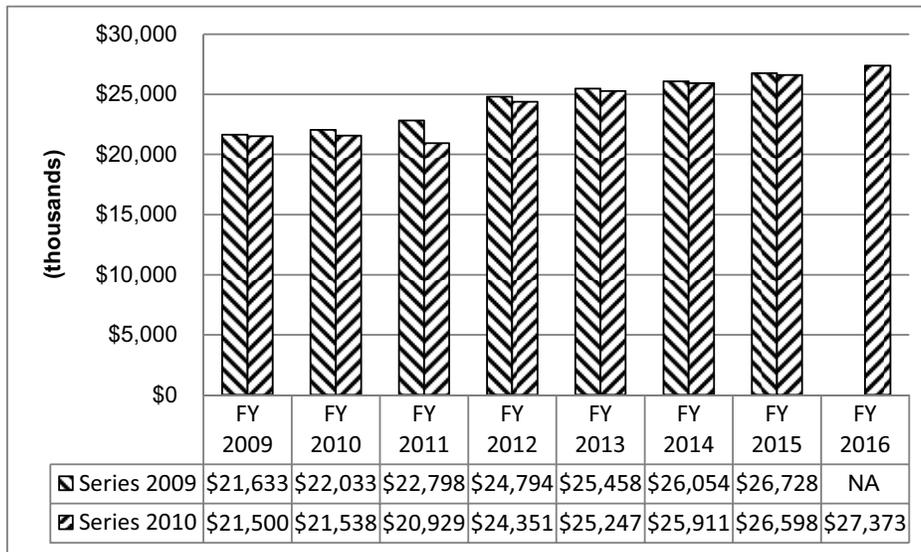
Exhibit 3 presents a comparison of total Nonairline Revenues for the Airport between the Series 2009 Report and the Series 2010 Report for actual FY 2009, estimated FY 2010, and projected for FY 2011 through FY 2015 (projected nonairline revenues for FY 2016 is also shown for the 2010 Report). As shown in Exhibit 3, nonairline revenues were projected in the Series 2009 Report to increase from \$21.6 million in FY 2009 to \$26.7 million in FY 2015 (the last fiscal year projected in the Series 2009 Report). As also shown, nonairline revenues are projected in the Series 2010 Report to increase from \$21.5 million in FY 2009 to \$26.6 million in FY 2015. In FY 2010 and FY 2011, total nonairline revenues for the Series 2010 Report are projected to be approximately \$0.5 million and \$2.0 million below, respectively, those for similar periods in the Series 2009 Report; and approximately \$150,000 below thereafter between FY 2012 and FY 2015. The significant differences in nonairline revenues in FY 2010 and FY 2011 are primarily due to differences in the assumed construction schedules for the new parking garage and surface parking funded by the Series 2009 Bonds, as discussed below in the next subsection. For detailed projections of Nonairline Revenues for the Series 2010 Report, see Table IV-6 in Attachment A.



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Exhibit 3

Total Nonairline Revenues – Series 2009 Report versus Series 2010 Report (Dollars in Thousands)



NOTE: NA = Not Available

Source: City of Long Beach, August 2010.
 Prepared by: Ricondo & Associates, Inc., August 2010.

Derivation of Parking Revenue Projections

A parking revenue projection was developed by R&A for the Airport in November 2009 based on historical parking activity at the Airport, the enplaned passenger projection developed as part of the study for the Series 2009 Bonds, parking rates and products offered at regional airports, and the future plans for parking infrastructure at the Airport. Taking into account recent trends in parking activity within the Airport’s parking system and changes to the construction plan and schedule since the Series 2009 Report, this projection was updated for the Series 2010 Report.

The current parking system at the Airport is comprised of three facilities: Lot A, Lot B, and remote Lot D. Lot C was closed on March 1, 2010 to prepare the site for the construction of the new parking facility (with both garage and surface facilities). Lot B was closed on July 23, 2010 to commence the construction phase of the new parking facility. The new parking facility is scheduled to be completed by mid-November 2011. The assumed number of spaces available during each phase of construction is outlined in **Table 5**. For comparison purposes, the construction phasing plan assumed for the prior analysis is also provided.

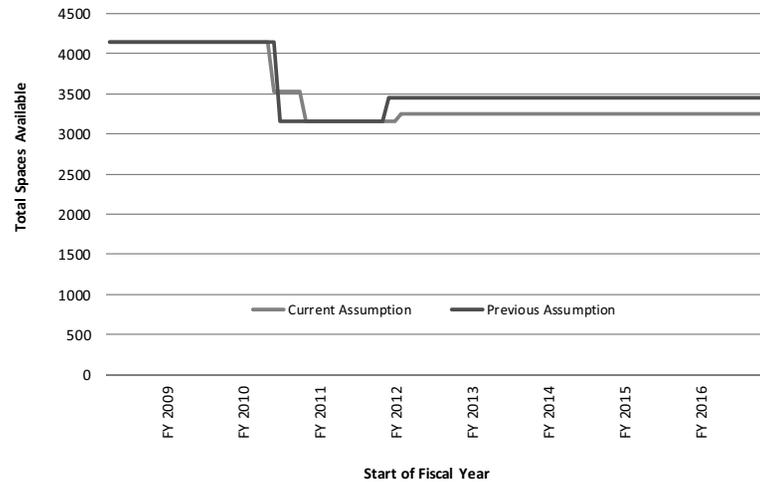


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Table 5
Airport Parking Facility Construction Schedule

Period	Timeline	Number of Days	Number of Spaces Available						
			Lot A	Lot B	Lot C	Lot D	New Garage	New Surface	Total
Current Assumption:									
Pre-Construction	October 1, 2009 - February 28, 2010	150	1,017	366	611	2,142	-	-	4,136
On-Site Work	March 1, 2010 - July 22, 2010	143	1,017	366	-	2,142	-	-	3,525
Construction Period	July 23, 2010 - November 11, 2011	475	1,017	-	-	2,142	-	-	3,159
Post-Construction	November 12, 2011 - September 30, 2016	N/A	1,017	-	-	-	1,989	247	3,253
Previous Assumption (November 2009):									
Pre-Construction	October 1, 2008 - March 31, 2010	820	1,017	366	611	2,142	-	-	4,136
Construction Period	April 1, 2010 - August 31, 2011	517	1,017	-	-	2,142	-	-	3,159
Post-Construction	September 1, 2011 - September 30, 2015	1,490	1,017	-	-	-	1,940	500	3,457

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Note: N/A = Not applicable

Source: City of Long Beach, August 2010.
 Prepared by: Ricondo & Associates, Inc., August 2010.



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As shown in Table 5, there are noticeable differences between the two assumed construction schedules. It had been previously assumed that construction would take place during the 17-month period between April 2010 and August 2011. The current assumption has construction taking place in two phases between March 1, 2010 and mid-November 2011 (19.5 months). Another difference is associated with the number of spaces available at the end of construction. It was previously assumed that the new parking facility would have a total of 2,440 spaces, with 1,940 covered spaces and 500 surface spaces at the location of the potential Phase 2 expansion. The current schedule assumes a total of 2,236 spaces available after construction, with 1,989 covered spaces and 247 surface spaces. These changes in spaces were due to a modification in design since the Series 2009 Report to construct the northern portion of the parking structure instead of the southern portion at this time

The data used to update the parking revenue forecast was provided from the Airport's parking management contractor AMPCO System parking. Data were generally obtained from the Airport's parking revenue control system and include the following reports from January 2007 through July 2010:

- Overnight Counts: Overnight counts of vehicles in each parking facility.
- Daily tickets: Number of tickets issued and collected each day by exit lane for each parking facility.
- Daily revenue: Daily gross revenue collected by parking facility.

Recent trends in parking at the Airport since FY 2009 include:

- Overall, FYTD 2010 parking revenues decreased 7.8 percent from a similar period in FY 2009. On a facility-level basis, fiscal year-to-date parking revenues have increased in Lot A (17.2 percent) and Lot B (7.8 percent) and decreased in Lot D (-9.4 percent). These changes are likely a result of Lot C closing on March 1, 2010 and the current state of the U.S. economy.
- Overall, FYTD 2010 tickets collected decreased 8.2 percent from a similar period in FY 2009. The decrease in overall tickets collected has impacted each facility differently. Based on fiscal year-to-date data through July 2010 and compared to data for a similar period in FY 2009, tickets collected at Lot A have increased by 46.2 percent and tickets collected in Lot B have decreased by 38.8 percent.
- Overall, FYTD 2010 total overnight vehicle counts decreased 14.7 percent compared to data for a similar period in FY 2009. This change could be a result of the current state of the U.S. economy and the corresponding decrease in duration of leisure travel.

Table 6 provides the updated parking revenue forecast based on parking activity data through July 2010. The forecast is broken down by phase of construction and contribution by lot.



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Table 6
Airport Parking Revenue Projection

	Fiscal Year (ending September 30)								
	Historical		Projected						
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Enplanements									
Enplanements	1,439,598	1,466,884	1,482,200	1,502,800	1,514,100	1,527,400	1,540,700	1,554,100	1,567,600
Annual Growth Rate	--	1.90%	1.04%	1.39%	0.75%	0.88%	0.87%	0.87%	0.87%
Gross Revenue									
<i>Pre-Construction Period (October 1, 2009 - February 28, 2010) & On-site Work Period (March 1, 2010 - July 22, 2010)</i>									
Lot A (FY 2008: \$17/day and \$1/hour) & (FY 2009: \$17/day and \$2/hour)	\$3,181,791	\$3,093,546	\$2,943,000						
Lot B (FY 2008: \$14/day and \$1/hour) & (FY 2009: \$15/day and \$2/hour)	\$1,549,958	\$1,554,353	\$1,676,000						
Lot C (FY 2008: \$11/day and \$1/hour) & (FY 2009: \$13/day and \$2/hour)	\$1,956,491	\$2,084,153	\$770,000						
Lot D (FY 2008: \$8/day and \$1/hour) & (FY 2009: \$11/day and \$2/hour)	\$1,825,890	\$2,037,866	\$1,161,000						
New Surface (\$17/day; \$2/hour)									
<i>Construction Period (July 23, 2010 - November 11, 2011)</i>									
Lot A (\$17/day; \$2/hour)			\$718,000	\$4,253,000	\$352,518				
Lot D (\$11/day; \$2/hour)			\$707,000	\$3,439,000	\$285,062				
<i>Post-Construction (November 12, 2011 - Sept 30, 2016)</i>									
Lot A (\$20/day; \$2/hour) ²					\$3,230,000	\$3,550,000	\$3,581,000	\$3,612,000	\$3,644,000
New Garage (\$18/day; \$2/hour)					\$6,184,000	\$6,798,000	\$6,857,000	\$6,917,000	\$6,977,000
New Surface (\$18/day; \$2/hour)					\$411,000	\$451,000	\$455,000	\$459,000	\$463,000
Sub-total	\$8,514,130	\$8,769,917	\$7,975,000	\$7,692,000	\$10,462,580	\$10,799,000	\$10,893,000	\$10,988,000	\$11,084,000
	--	3.00%	-9.06%	-3.55%	36.02%	3.22%	0.87%	0.87%	0.87%
Gross Revenue Adjustments									
Lot D Revenue to City or Boeing	\$1,825,890	\$2,037,866	\$1,868,000	\$3,439,000	\$0	\$0	\$0	\$0	\$0
Total Gross Revenue	\$6,688,240	\$6,732,051	\$6,107,000	\$4,253,000	\$10,705,000	\$10,799,000	\$10,893,000	\$10,988,000	\$11,084,000

Notes:

- 1/ Maximum daily parking rate for Lot A is assumed to increase to \$20 per day in October 2010.
- 2/ All gross revenues collected from Lot D is excluded as income to the Airport due to the current contract in which revenues are shared between the Boeing Corporation and the City.

Source: City of Long Beach, August 2010.
 Prepared by: Ricondo & Associates, Inc., August 2010.

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The current use agreement between the City of Long Beach and the Boeing Company splits revenues collected between the two parties, with no revenues provided to the Airport. It is assumed that Lot D ceases to operate once the new garage is operational. All gross revenues collected from Lot D are excluded as income to the Airport due to the current contract in which revenues are shared between the Boeing Corporation and the City.

As shown, once construction is completed, total gross revenues from parking are expected to increase from \$10,177,518 in FY 2012 to \$11,084,000 in FY 2016, representing a compounded annual growth rate of 2.2 percent during this period (0.9 percent between 2013 and 2016).

Table 7 provides a comparison of the two projections of future gross parking revenues. The two projections diverge at the start of FY 2010. While both schedules assumed that construction would commence during this period, the November 2009 projection was based on an expedited construction period. For the Series 2010 Report, it was assumed that the new parking facilities would have a daily maximum of \$18, compared to the \$17 assumed in the Series 2009 Report. As a result, gross parking revenues are shown to average approximately \$200,000 higher annually between FY 2013 and FY 2015 than the previous analysis (November 2009).

Table 7
 Airport Gross Parking Revenue Projection Comparison

Fiscal Year ^{1/}	July 2010 Forecast	November 2009 Forecast
Historical		
2008	\$8,514,130	\$8,514,200
2009	\$8,769,917	\$8,783,000 ³
2010	\$7,975,000 ^{2/}	\$8,917,200 ³
Projected		
2011	\$7,692,000	\$9,131,700
2012	10,462,580	10,500,500
2013	10,799,000	10,592,700
2014	10,893,000	10,685,500
2015	10,988,000	10,777,900
2016	11,084,000	NA

Notes:

- 1/ Fiscal Year ending September 30th.
- 2/ Estimated based on historical data between October 2009 and July 2010.
- 3/ Projected

NA = Not Available

Source: City of Long Beach (historical), Ricondo & Associates, Inc. (projected), August 2010.
 Prepared by: Ricondo & Associates, Inc., August 2010.



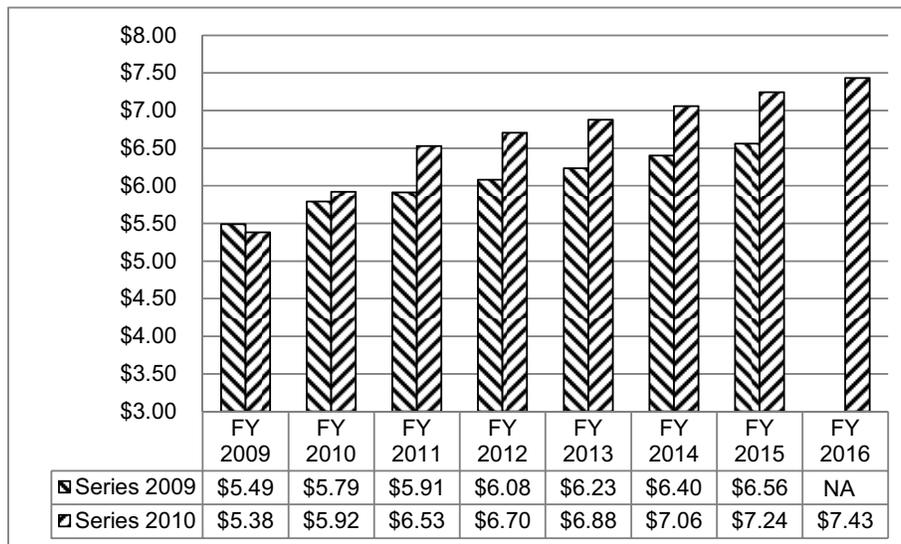
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Passenger Airline Cost Per Enplanement

Exhibit 4 presents a comparison of passenger airline cost per enplanement (CPE) for the Airport between the Series 2009 Report and the Series 2010 Report for actual FY 2009, estimated FY 2010, and projected for FY 2011 through FY 2015 (projected passenger airline CPE for FY 2016 is also shown for the 2010 Report). As shown, there is a \$0.70 increase in passenger airline CPE in FY 2011 for the Series 2010 Report, increasing from \$5.83 in FY 2010 to \$6.53 in FY 2011. Thereafter, passenger airline CPE increases at a rate similar to that expected in the Series 2009 Report between FY 2012 and FY 2015. The City has determined that there is a need to increase airline rates and charges (landing fees, common use fees, gate use fees, and ramp fees) at the Airport by 13.5 percent in FY 2011 from FY 2010 levels, primarily due to the impacts associated with the Police and Fire Department’s MOU. For detailed projections of passenger airline CPE for the Series 2010 Report, see Table IV-10 in Attachment A.

Exhibit 4

Passenger Airline Cost per Enplanement – Series 2009 Report versus Series 2010 Report



Notes:

1/ The increase in passenger airline cost per enplanement in FY 2011 from FY 2010 levels for the Series 2010 Report is primarily due to the impacts associated with the Police and Fire Departments' MOU. Thereafter, passenger airline cost per enplanement is expected to increase 3.5 percent annually, similar to the annual increase expected in the Series 2009 Report between FY 2010 and FY 2015.

NA = Not Available

Source: City of Long Beach, September 2010.
 Prepared by: Ricondo & Associates, Inc., September 2010.



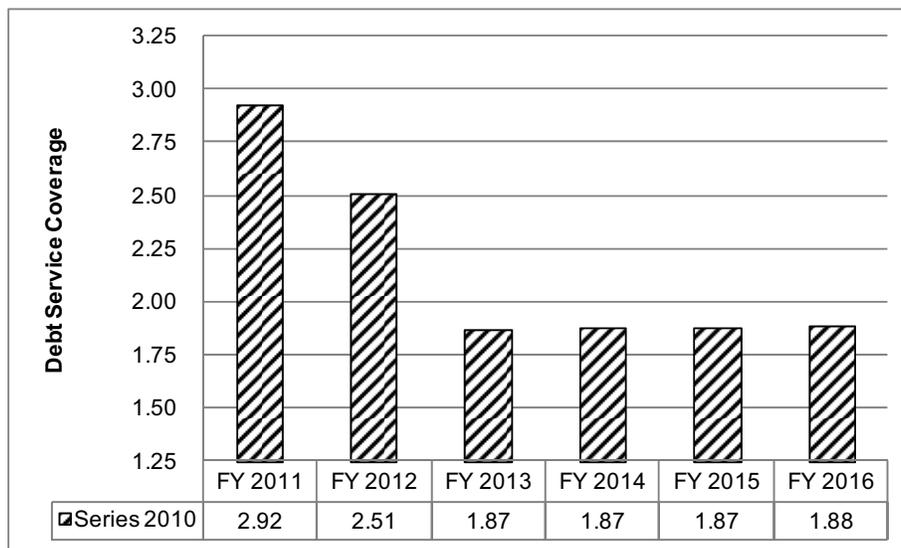
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 Long Beach Airport
 October 21, 2010

Debt Service Coverage

As required in the Indenture, the City covenants to set rates and charges sufficient to generate revenues that provide at least 1.0x coverage of annual debt service and all required deposits and, combined with any Transfer, 1.25x Aggregate Annual Debt Service on the Outstanding Bonds in each Fiscal Year. **Exhibit 5** presents the Series 2010 Report’s Debt Service Coverage ratios for the Airport projected for FY 2011 (the first year of debt service for the Series 2010 Bonds) through FY 2016. As shown, the Debt Service Coverage ratio meets the requirements of the Indenture for each of the years depicted. For detailed projections of Debt Service Coverage for the Series 2010 Report, see Table IV-11 in Attachment A.

Exhibit 5

Debt Service Coverage



Source: City of Long Beach, September 2010.
 Prepared by: Ricondo & Associates, Inc., September 2010.

Sensitivity Analysis

In the Series 2009 Report, an alternative scenario to the base case, involving a decline in passenger activity at the Airport, was developed to analyze the potential financial impacts to the Airport as measured by the passenger airline cost per enplaned passenger and the Debt Service Coverage ratio. For the purpose of this alternative scenario, it was assumed that JetBlue would discontinue its



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transcontinental service at the Airport. To update these analyses, specific assumptions used in the update are as follows:

- JetBlue's transcontinental service at the Airport will be discontinued on October 1, 2012. This action would result in the discontinuation of nonstop service from the Airport to Austin, Boston, Chicago, Fort Lauderdale, New York, and Washington, D.C. involving eight slots allocated by the Airport to JetBlue. Over time, this transcontinental service will be re-initiated by JetBlue at alternative west coast facilities (e.g., LAX).
- JetBlue will not use any of these eight slots for additional flights to existing West Coast corridor markets or new markets between FY 2013 and FY 2016. In addition, no incumbent or new entrant airlines will use any of the 10 abandoned slots during this same period.
- This eliminated service will reduce JetBlue's enplaned passengers and landed weight at the Airport by approximately 25 percent, resulting in a reduction in these activities of approximately 20 percent for the Airport overall.
- Given the 20 percent decrease in activity, the Airport will reduce Personnel and Internal Support (City Services) Operating Costs by 10.0 percent in FY 2013.
- Parking, car rental, and restaurant/concession revenues will decrease by 20 percent in FY 2013.
- The Airport's passenger cost per enplaned passenger will remain at the base case levels between FY 2013 and FY 2016.

Table IV-12 in Attachment A presents the results of the update to the sensitivity analysis included in the Series 2009 Report. As shown, Net Revenues available for debt service are estimated to exceed the Rate Covenant in each year of the projection period. As also shown, for the FY 2013 to FY 2016 period, the Debt Service Coverage ratio (with Transfer Account) is projected to range from 1.50x to 1.53x under the alternative scenario, compared to 1.87x to 1.88x under the base case.

For the alternative scenario analysis, it was assumed that the Airport's passenger airline cost per enplaned passenger would remain at the base case levels between FY 2013 and FY 2016. This demonstrates the ability of the Airport to restrain costs passed onto the airlines while ensuring it meets its Rate Covenant and maintains Debt Service Coverage. Additionally, the results of this test indicate the Airport retains the flexibility to adjust its rates and charges higher and maintain its competitive position relative to other Southern California airports. For example, if the Airport increased airline rates and charges in FY 2013 to a level consistent with certain other Southern California airports (i.e., rates resulting in airline cost per enplaned passenger between \$9 and \$10), the projected Debt Service Coverage ratio would increase to range from 1.89x to 1.92x between FY 2013 and FY 2016 rather than 1.50x to 1.53x projected under the alternative scenario (see Table IV-13 in Attachment A).



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The techniques and methodologies used in preparing this Series 2010 Report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes that the approach and assumptions used are reasonable, some assumptions regarding future trends and events detailed in this report may not materialize. Achievement of the projections presented in this report, therefore, is dependent upon the occurrence of future events, which cannot be assured, and the variations may be material.

Sincerely,

RICONDO & ASSOCIATES, INC.

ATTACHMENT A
Select Updated Tables – Series 2009 Report

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Table I-1

Summary of Key Economic Indicators

	Long Beach	Air Trade Area	California	United States
Population				
2000	461,522	16,373,645	33,871,648	281,421,906
2010 (Estimated)	488,779	18,391,729	37,983,948	311,212,863
2015 (Projected)	494,510	18,974,715	39,328,336	323,209,391
Population Growth^{1/}				
2000-2010 (Estimated)	0.6%	<u>1.2%</u>	<u>1.2%</u>	1.0%
2010-2015 (Projected)	0.2%	0.6%	<u>0.7%</u>	0.8%
Median Household Income				
2010 (Estimated)	\$49,496	\$59,155	<u>\$60,992</u>	\$54,442
2015 (Projected)	\$57,174	\$67,326	<u>\$69,315</u>	\$61,189
% 2010 Households in \$75,000-Above	29.9%	37.8%	<u>39.2%</u>	32.9%
Growth In Civilian Labor Force^{1/}				
1998-2008	NA	<u>1.3%</u>	<u>1.3%</u>	1.1%
1998-2003	NA	<u>1.5%</u>	<u>1.5%</u>	1.2%
2003-2008	0.9%	<u>1.2%</u>	1.1%	1.1%
Unemployment Rate				
1998	NA	5.8%	6.0%	<u>4.5%</u>
2003	7.7%	6.4%	6.8%	<u>6.0%</u>
2008	8.3%	7.2%	7.2%	<u>5.8%</u>
2009	12.7%	11.4%	11.4%	<u>9.3%</u>
June 2010	13.5%	12.1%	12.3%	<u>9.5%</u>
Growth in Nonagricultural Employment, 1998-2008 ^{1/}	NA	1.1%	0.9%	<u>1.2%</u>
Employment By Industry, 2008				
Services	NA	<u>44.9%</u>	44.0%	43.1%
Trade	NA	<u>15.0%</u>	14.2%	14.6%
Fin/Ins/Real Estate	NA	<u>11.2%</u>	10.5%	9.3%
Government	NA	10.9%	13.0%	<u>13.6%</u>
Manufacturing	NA	<u>8.6%</u>	7.6%	8.2%
Construction	NA	6.2%	7.6%	<u>7.7%</u>
Transportation/Utilities	NA	3.3%	2.9%	<u>3.6%</u>

Note: Best performing numbers or rates in each row are shown in bold and underlined font

^{1/} Compounded annual growth rate.

Prepared by: Partners for Economic Solutions August 2010.

Table I-2
Five Largest CSAs, 2010

Rank	Consolidated Statistical Area	Estimated Population
1	New York-Newark-Bridgeport	22,301,097
2	LOS ANGELES-LONG BEACH-RIVERSIDE	18,391,729
3	Chicago-Naperville-Michigan City	9,853,806
4	Washington-Baltimore-Northern Virginia	8,482,463
5	Boston-Worcester-Manchester	7,589,596

Source: ESRI, August 2010.

Prepared by: Partners for Economic Solutions August 2010.

Table I-9

Households with Income of \$75,000 and Above (2010-2015)

Location	2010 (Estimate)	2015 (Forecast)	2010-2015 Growth
Long Beach	50,122	61,279	11,157
Air Trade Area	2,215,270	2,707,207	491,937
California	4,963,745	6,048,441	1,084,696
United States	38,414,036	47,329,796	8,915,760

Source: ESRI, August 2010.

Prepared by: Partners for Economic Solutions August 2010.

Table II-1

Regional Airport Shares of Total Enplanements

Calendar Year	Long Beach (LGB) ^{1/}		Los Angeles (LAX)		LA/Ontario (ONT)		John Wayne (SNA)		Bob Hope (BUR)		Total
	Enplaned Passengers	Percentage of Total	Enplaned Passengers	Percentage of Total	Enplaned Passengers	Percentage of Total	Enplaned Passengers	Percentage of Total	Enplaned Passengers	Percentage of Total	Enplaned Passengers
1999	434,601	1.0%	32,298,944	76.7%	3,268,661	7.8%	3,738,519	8.9%	2,358,724	5.6%	42,099,449
2000	312,713	0.7%	33,836,077	77.3%	3,360,634	7.7%	3,894,993	8.9%	2,367,835	5.4%	43,772,252
2001	287,245	0.7%	31,007,930	76.4%	3,354,350	8.3%	3,672,827	9.1%	2,248,654	5.5%	40,571,006
2002	731,279	1.9%	28,181,481	73.3%	3,259,866	8.5%	3,957,565	10.3%	2,312,611	6.0%	38,442,802
2003	1,445,547	3.7%	27,544,606	70.8%	3,285,577	8.4%	4,274,960	11.0%	2,369,729	6.1%	38,920,419
2004	1,470,620	3.5%	30,210,609	71.0%	3,473,284	8.2%	4,902,263	11.5%	2,464,441	5.8%	42,521,217
2005	1,523,812	3.5%	30,587,592	70.6%	3,611,978	8.3%	4,821,459	11.1%	2,759,984	6.4%	43,304,825
2006	1,385,260	3.4%	28,575,611	69.8%	3,342,627	8.2%	4,814,108	11.8%	2,843,281	6.9%	40,960,887
2007	1,458,128	3.3%	30,980,025	70.4%	3,607,184	8.2%	4,989,018	11.3%	2,960,294	6.7%	43,994,649
2008	1,457,209	3.5%	29,930,985	71.8%	3,112,112	7.5%	4,492,626	10.8%	2,664,875	6.4%	41,657,807
2009	1,454,978	3.7%	28,288,211	72.9%	2,444,643	6.3%	4,336,168	11.2%	2,295,858	5.9%	38,819,858
2010 YTD ^{2/}	996,381	3.7%	19,845,820	73.7%	1,617,578	6.0%	2,911,609	10.8%	1,539,413	5.7%	26,910,801
Compounded Annual Growth Rate											
1999 - 2001	(18.7%)		(2.0%)		1.3%		(0.9%)		(2.4%)		(1.8%)
2001 - 2002	154.6%		(9.1%)		(2.8%)		7.8%		2.8%		(5.2%)
2002 - 2003	97.7%		(2.3%)		0.8%		8.0%		2.5%		1.2%
2003 - 2009	0.1%		0.4%		(4.8%)		0.2%		(0.5%)		(0.0%)
1999 - 2009	12.8%		(1.3%)		(2.9%)		1.5%		(0.3%)		(0.8%)

Note:

1/ In late August 2001, JetBlue initiated two daily nonstop flights between John F. Kennedy International Airport and Long Beach Airport, its second-designated hub airport. JetBlue's activity at the Airport increased to six markets with a total of 21 daily nonstop flights by the end of FY 2003, resulting in significant increases in passenger activity between 2001 and 2003.

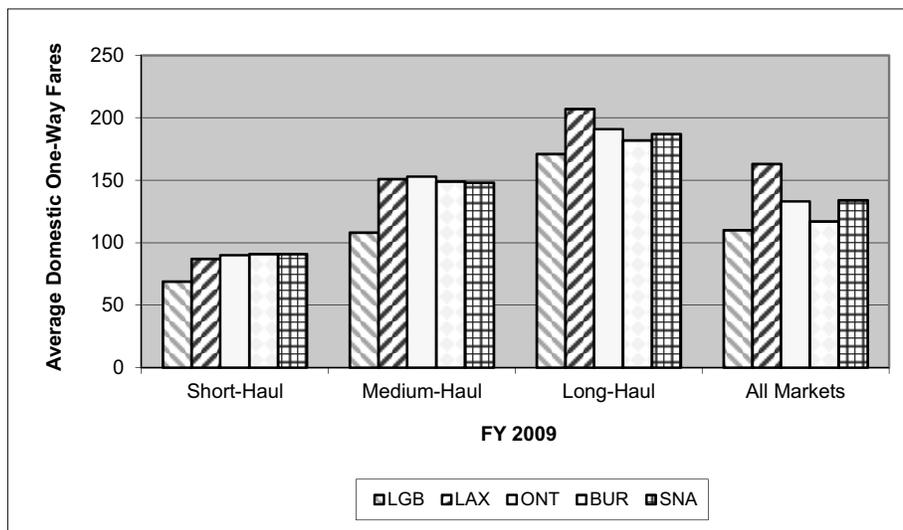
2/ Data for January 2010 through August 2010.

Sources: Airports Council International (1999 - 2006); Individual airport websites (2007 - 2009 and 2010 YTD)
Prepared by: Ricondo & Associates, Inc., October 2010.

Table II-2

Average Domestic One-Way Fares for Airports in the Los Angeles Region - FY 2009

Airport	Short-Haul Markets ^{1/}	Medium-Haul Markets ^{1/}	Long-Haul Markets ^{1/}	All Markets
Long Beach (LGB)	\$69	\$108	\$171	\$110
Los Angeles (LAX)	\$87	\$151	\$207	\$163
LA/Ontario (ONT)	\$90	\$153	\$191	\$133
Bob Hope (BUR)	\$91	\$149	\$182	\$117
John Wayne (SNA)	\$91	\$148	\$187	\$134



Note:

- 1/ (SH) Short Haul = 1 to 600 miles
- (MH) Medium Haul = 601 to 1,800 miles
- (LH) Long Haul = over 1,800 miles

Sources: US DOT Origin & Destination Survey of Airline Passenger Traffic, accessed May 5, 2010.

Prepared by: Ricondo & Associates, Inc., May 2010.

Table II-3

Airport Shares of West Coast Corridor O&D Passengers

Fiscal Year ^{1/}	Long Beach (LGB)		Los Angeles (LAX)		LA/Ontario (ONT)		Bob Hope (BUR)		John Wayne (SNA)		Total O&D Passengers
	O&D Passengers ^{2/}	Percentage of Total	O&D Passengers ^{3/}	Percentage of Total	O&D Passengers ^{4/}	Percentage of Total	O&D Passengers ^{5/}	Percentage of Total	O&D Passengers ^{6/}	Percentage of Total	
1999	1,180	0.0%	7,095,510	47.0%	2,293,860	15.2%	2,833,510	18.8%	2,869,560	19.0%	15,093,620
2000	2,190	0.0%	6,938,210	45.9%	2,302,220	15.2%	2,788,760	18.5%	3,081,650	20.4%	15,113,030
2001	1,830	0.0%	6,333,120	44.3%	2,381,220	16.7%	2,668,330	18.7%	2,910,340	20.4%	14,294,840
2002	38,800	0.3%	4,832,340	39.5%	2,178,350	17.8%	2,490,210	20.3%	2,700,830	22.1%	12,240,530
2003	561,490	4.4%	4,743,000	37.3%	2,140,770	16.8%	2,486,150	19.6%	2,774,240	21.8%	12,705,650
2004	578,740	4.5%	4,819,110	37.4%	2,120,100	16.5%	2,491,380	19.3%	2,868,070	22.3%	12,877,400
2005	635,710	4.7%	5,081,500	37.5%	2,213,730	16.3%	2,602,920	19.2%	3,016,340	22.3%	13,550,200
2006	703,240	5.3%	4,842,770	36.4%	2,240,580	16.8%	2,556,770	19.2%	2,965,350	22.3%	13,308,710
2007	802,780	5.6%	5,220,630	36.1%	2,287,800	15.8%	2,960,640	20.5%	3,181,730	22.0%	14,453,580
2008	829,460	5.9%	5,539,560	39.7%	2,176,860	15.6%	2,546,280	18.2%	2,860,310	20.5%	13,952,470
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
Change in Share											
1999 - 2009		9.4%		(7.9%)		(1.7%)		(1.8%)		2.0%	
2003 - 2009		5.0%		1.8%		(3.3%)		(2.6%)		(0.8%)	

Notes:

- 1/ Fiscal year ends September 30.
- 2/ Traffic LGB to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.
- 3/ Traffic LAX to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.
- 4/ Traffic ONT to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.
- 5/ Traffic BUR to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.
- 6/ Traffic SNA to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.

Source: US DOT Origin & Destination Survey of Airline Passenger Traffic, accessed May 19, 2010.

Prepared by: Ricondo & Associates, Inc., May 2010.

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Table II-7

Historical Enplanements

Fiscal Year	Airport Enplanements ^{1/}	Airport Growth	U.S. Domestic Enplanements ^{1/}	U.S. Growth	Market Share
1998	303,979	-	590,400,000	-	0.051%
1999	461,411	51.8%	610,900,000	3.5%	0.076%
2000	318,560	(31.0%)	641,200,000	5.0%	0.050%
2001	280,528	(11.9%)	625,800,000	(2.4%)	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	(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 ^{2/}	(7.3%)	0.232%
2010	1,460,041	(0.5%)	634,100,000 ^{3/}	0.4%	0.230%

Compounded
Annual Growth Rate

1998 - 2001	(2.6%)	2.0%
2001 - 2003	122.3%	(3.1%)
2003 - 2010	0.7%	1.1%
1998 - 2010	14.0%	0.6%

Notes:

1/ Fiscal year ending September 30.

2/ Estimated by the FAA.

3/ Projected by the FAA.

Sources: City of Long Beach (Airport activity); FAA (U.S. activity), October 2010.

Prepared by: Ricondo & Associates, Inc., October 2010.

Table II-8

Historical Enplanements by Airline

Airline	FY 2006		FY 2007		FY 2008		FY 2009		FY 2010	
	Enplanements	Share								
JetBlue	1,102,186	78.0%	1,142,177	79.0%	1,101,602	76.5%	1,150,629	78.4%	1,178,409	80.7%
SkyWest	29,936	2.1%	57,301	4.0%	71,865	5.0%	83,812	5.7%	87,972	6.0%
US Airways ^{2/}	102,162	7.2%	102,091	7.1%	105,467	7.3%	90,622	6.2%	87,764	6.0%
Alaska ^{1/}	114,084	8.1%	144,571	10.0%	113,310	7.9%	141,821	9.7%	73,011	5.0%
Frontier	-	-	-	-	-	-	-	-	22,072	1.5%
Allegiant	-	-	-	-	-	-	-	-	10,813	0.7%
ExpressJet	-	-	-	-	47,354	3.3%	-	-	-	-
American	64,268	4.5%	-	-	-	-	-	-	-	-
Airport Total ^{3/}	1,412,636	100.0%	1,446,140	100.0%	1,439,598	100.0%	1,466,884	100.0%	1,460,041	100.0%

Notes:

- 1/ Includes activity for Horizon Air (FY 2009 and FY 2010). Alaska discontinued its service at the Airport in November 2009.
- 2/ Includes activity for America West (FY 2006 - FY 2007) and Mesa (FY 2006 - FY 2010). Mesa currently provides service at the Airport as US Airways Express.
- 3/ Totals may not add due to individual rounding.

Source: City of Long Beach, October 2010.

Prepared by: Ricondo & Associates, Inc., October 2010.

Table II-9

Primary O&D Passenger Markets

FY 2008							FY 2009						
Rank	Market	Nonstop Service ^{1/}	Trip Length ^{2/}	Total O&D Passengers	Average Fare	Yield Per Coupon Mile	Rank	Market	Nonstop Service ^{3/}	Trip Length ^{2/}	Total O&D Passengers	Average Fare	Yield Per Coupon Mile
4	Seattle	●	MH	237,790	\$113	\$0.1171	1	Seattle	●	MH	334,380	\$88	\$0.0908
2	New York/Newark	●	LH	374,800	\$193	\$0.0779	2	New York/Newark	●	LH	288,660	\$174	\$0.0700
3	Salt Lake City	●	SH	272,090	\$86	\$0.1448	3	Salt Lake City	●	SH	275,620	\$81	\$0.1368
1	Oakland	●	SH	383,580	\$69	\$0.1952	4	Oakland	●	SH	244,680	\$64	\$0.1818
22	Portland	●	MH	6,270	\$141	\$0.1243	5	Portland	●	MH	170,590	\$100	\$0.1174
5	Boston	●	LH	205,490	\$207	\$0.0791	6	Boston	●	LH	167,720	\$174	\$0.0665
249	San Francisco	●	SH	10	\$123	\$0.1035	7	San Francisco	●	SH	161,820	\$59	\$0.1680
6	Washington DC	●	LH	198,700	\$174	\$0.0756	8	Washington, D.C.	●	LH	158,970	\$160	\$0.0699
12	San Jose	●	SH	62,630	\$61	\$0.1871	9	San Jose	●	SH	154,370	\$57	\$0.1768
7	Las Vegas	●	SH	181,650	\$72	\$0.3123	10	Las Vegas	●	SH	135,190	\$71	\$0.3088
9	Sacramento	●	SH	139,180	\$73	\$0.1894	11	Sacramento	●	SH	126,490	\$73	\$0.1895
8	Chicago	●	MH	139,820	\$155	\$0.0889	12	Chicago	●	MH	93,560	\$147	\$0.0842
10	Fort Lauderdale	●	LH	87,750	\$158	\$0.0672	13	Fort Lauderdale	●	LH	86,030	\$155	\$0.0660
16	Austin	●	MH	21,420	\$118	\$0.0955	14	Austin	●	MH	50,230	\$115	\$0.0933
11	Phoenix	●	SH	77,480	\$86	\$0.2410	15	Phoenix	●	SH	48,330	\$84	\$0.2367
18	Orlando	●	LH	9,330	\$175	\$0.0727	16	Orlando	●	LH	12,850	\$166	\$0.0728
19	Dallas	●	MH	7,820	\$167	\$0.1260	17	Dallas	●	MH	11,270	\$167	\$0.1290
17	Spokane	●	MH	12,030	\$146	\$0.1355	18	Spokane	●	MH	9,390	\$125	\$0.1061
30	Atlanta	●	LH	4,820	\$187	\$0.9190	19	Atlanta	●	LH	8,280	\$184	\$0.0901
20	Denver	●	MH	6,670	\$130	\$0.1339	20	Denver	●	MH	8,100	\$105	\$0.1087
13	Salinas/Monterey		SH	33,890	\$111	\$0.3936	None	Salinas/Monterey		SH	0	-	-
14	Reno		SH	29,170	\$117	\$0.2895	113	Reno		SH	170	\$127	\$0.1331
15	Fresno		SH	25,140	\$102	\$0.4590	None	Fresno		SH	0	-	-
Average							Average						
Airport ^{4/}			1,272		\$129	\$0.0996	Airport ^{4/}			1,172		\$110	\$0.0924
United States			871		NA	\$0.1245	United States			871		NA	\$0.1196

Notes:

^{1/} As of October 14, 2009.

^{2/} (SH) Short Haul = 0 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles

^{3/} As of July 14, 2010.

^{4/} Average calculated for all of the Airport's O&D markets.

NA = Not Available

Source: O&D Survey of Airline Passenger Traffic, U.S. DOT., July 2010.
Prepared by: Ricondo & Associates, Inc., July 2010.

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Table II-10

Nonstop Markets

Market	Nonstop Flights	Number of Airlines	Airline
Austin	1	1	JetBlue
Bellingham ^{1/}	1	1	Allegiant
Boston	1	1	JetBlue
Chicago	1	1	JetBlue
Colorado Springs ^{2/}	1	1	Allegiant
Denver	2	1	Frontier
Fort Lauderdale	1	1	JetBlue
Idaho Falls ^{2/}	1	1	Allegiant
Las Vegas	3	1	JetBlue
New York	2	1	JetBlue
Oakland	4	1	JetBlue
Phoenix	5	1	Mesa
Portland, OR	3	1	JetBlue
Sacramento	2	1	JetBlue
Salt Lake City	7	2	JetBlue (2), SkyWest (5)
San Francisco	5	1	JetBlue
Seattle	5	2	Horizon Air (2), JetBlue (3)
Stockton ^{1/}	1	1	Allegiant
Washington, D.C.	2	1	JetBlue
Total Flights	48		

Notes:

1/ Service is provided three days a week.

2/ Service is provided two days a week.

Source: Official Airline Guide, October 15, 2010.

Prepared by: Ricondo & Associates, Inc., October 2010.

Table II-11

Historical Aircraft Operations

Fiscal Year	Air Carriers	Commuters	Airline Total	General Aviation	All Cargo	Other Air Taxi	Military	Total
2004	25,258	400	25,658	307,232	4,160	6,118	825	343,993
2005	25,592	0	25,592	308,402	3,856	5,883	644	344,377
2006	24,172	1,380	25,552	324,747	3,644	6,204	664	360,811
2007	25,164	2,644	27,808	361,511	3,750	5,858	695	399,622
2008	24,286	6,578	30,864	313,750	4,140	5,455	518	354,727
2009	25,642	3,970	29,612	264,041	3,714	4,535	770	302,672
2010	25,030	5,618	30,648	270,137	3,500	4,366	914	309,565
Compounded Annual Growth Rate								
2004 - 2007	(0.1%)	87.7%	2.7%	5.6%	(3.4%)	(1.4%)	(5.6%)	5.1%
2007 - 2008	(3.5%)	148.8%	11.0%	(13.2%)	10.4%	(6.9%)	(25.5%)	(11.2%)
2008 - 2009	5.6%	(39.6%)	(4.1%)	(15.8%)	(10.3%)	(16.9%)	48.6%	(14.7%)
2009 - 2010	(2.4%)	41.5%	3.5%	2.3%	(5.8%)	(3.7%)	18.7%	2.3%

Source: City of Long Beach, October 2010.

Prepared by: Ricondo & Associates, Inc., October 2010.

Table II-12

Historical Landed Weight by Airline
(Weight in Thousand Pounds)

Airline	FY 2006		FY 2007		FY 2008		FY 2009		FY 2010	
	Landed Weight	Share								
JetBlue	1,215,378	40.2%	1,327,842	41.8%	1,329,972	40.6%	1,420,162	68.7%	1,407,016	73.4%
All-Cargo Carriers	332,027	11.0%	308,729	9.7%	307,990	9.4%	264,064	12.8%	187,514	9.8%
US Airways ^{2/}	1,215,378	40.2%	1,327,842	41.8%	1,329,972	40.6%	102,952	5.0%	103,026	5.4%
SkyWest	150,825	5.0%	152,531	4.8%	155,695	4.7%	103,121	5.0%	97,626	5.1%
Alaska ^{1/}	32,430	1.1%	62,134	2.0%	82,803	2.5%	175,653	8.5%	80,873	4.2%
Frontier	-	-	-	-	-	-	-	-	25,778	1.3%
Allegiant	-	-	-	-	-	-	-	-	13,983	0.7%
ExpressJet	-	-	-	-	71,528	2.2%	-	-	-	-
American Airlines	77,546	2.6%	-	-	-	-	-	-	-	-
Airport Total ^{3/}	3,023,584	100.0%	3,179,078	100.0%	3,277,960	100.0%	2,065,952	100.0%	1,915,815	100.0%

Notes:

1/ Includes activity for Horizon Air (FY 2009 and FY 2010).

2/ Includes activity for America West (FY 2006 - FY 2007) and Mesa (FY 2006 - FY 2010). Mesa currently provides service at the Airport as US Airways Express.

3/ Totals may not add due to individual rounding.

Source: City of Long Beach, October 2010.

Prepared by: Ricondo & Associates, Inc., October 2010.

Table IV-4

O&M Expenses

Category	Actual	Estimate	Projected					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Personnel ^{1/}	7,930,925	9,186,430	9,744,231	10,085,279	10,438,264	10,803,603	11,181,729	11,573,090
Materials, Supplies & Services	6,705,184	7,515,800	7,516,093	7,779,156	8,051,427	8,333,227	8,624,890	8,926,761
Adjustment for Lot D- M,S&S				(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Internal Support (City Services)	9,312,084	9,369,219	9,482,331	9,814,213	10,157,710	10,513,230	10,881,193	11,262,035
Operating Expenses - SF06 Capital Fund	753,558	750,000	776,250	803,419	831,538	860,642	890,765	921,941
New Terminal O&Ms	0	0	0	0	(198,000)	(198,000)	(198,000)	(198,000)
Other (excluding debt and capital)	197,307	224,756	221,408	229,157	237,178	245,479	254,071	262,963
Total O&M Expenses	24,899,058	27,046,205	27,740,313	26,711,224	27,518,117	28,558,181	29,634,647	30,748,790

Note:

1/ Personnel costs reflect negotiated future pay increases based on respective staff contracts.

Source: City of Long Beach, July 2010.

Prepared by: Ricondo & Associates, Inc., July 2010.

Table IV-6

Nonairline Revenues

	Actual	Estimate	Projected					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
FBOs	5,115,438	5,239,643	5,423,031	5,612,837	5,809,286	6,012,611	6,223,052	6,440,859
Non-Aviation	2,547,644	3,367,123	2,449,972	2,535,721	2,624,472	2,716,328	2,811,400	2,909,799
Fuel Flowage Fees	235,474	209,545	209,545	209,545	209,545	209,545	209,545	209,545
Facility Rental ^{1/}	69,057	84,771	87,738	90,809	93,987	97,277	100,681	104,205
Parking	8,778,840	7,975,000	7,692,000	10,462,580	10,799,000	10,893,000	10,988,000	11,084,000
Car Rentals	2,828,464	2,914,994	3,126,880	3,260,656	3,404,423	3,554,260	3,710,653	3,917,337
Restaurant/Concessions	1,040,915	1,325,000	1,421,312	1,482,119	1,547,468	1,615,576	1,686,664	1,780,611
Ground Transportation	54,102	50,000	53,634	55,929	58,395	60,965	63,648	67,193
Expanded Terminal Concessions	0	0	0	150,000	156,614	163,507	170,701	180,209
Other	556,738	246,491	218,303	225,000	232,875	241,026	249,462	258,193
Interest Income	273,361	125,118	246,910	265,322	310,701	346,945	383,695	420,929
Total Nonairline Revenues	\$21,500,033	\$21,537,685	\$20,929,325	\$24,350,517	\$25,246,765	\$25,911,038	\$26,597,501	\$27,372,880

Note:

1/ The FY 2010 amount includes a one-time \$1,000,000 rental adjustment for prior-period rents.

Source: City of Long Beach; Ricondo & Associates, Inc. (projected parking revenues), August 2010.

Prepared by: Ricondo & Associates, Inc., August 2010.

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Table IV-10

Airline Revenues and Passenger Airline Cost per Enplanement

	Actual	Estimate	Projected					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
M&O Expenses	\$24,899,058	\$27,046,205	\$27,740,313	\$26,711,224	\$27,518,117	\$28,558,181	\$29,634,647	\$30,748,790
Certificates of Participation Debt Service	1,290,545	187,000	0	0	0	0	0	0
Series 2009 Bonds Debt Service	0	977,109	1,133,450	3,315,007	3,990,226	3,990,226	3,988,426	3,989,826
Series 2010 Bonds Debt Service	0	0	363,110	880,288	4,515,688	4,516,388	4,518,788	4,517,588
Capital Expenditures and Reserves	3,746,554	2,454,018	2,505,084	5,265,658	5,279,758	5,293,489	5,303,904	5,381,646
Total Requirement	\$29,936,157	\$30,664,332	\$31,741,957	\$36,172,177	\$41,303,788	\$42,358,284	\$43,445,765	\$44,637,850
Less								
Nonairline Revenues	21,500,033	21,537,685	20,929,325	24,350,517	25,246,765	25,911,038	26,597,501	27,372,880
Pledged PFC Revenue	0	0	453,887	1,100,359	4,960,477	4,962,321	4,961,366	4,962,031
Airline Requirement	\$8,436,124	\$9,126,647	\$10,358,744	\$10,721,300	\$11,096,546	\$11,484,925	\$11,886,897	\$12,302,939
Less								
Cargo Fees	541,064	485,386	550,913	570,195	590,151	610,807	632,185	654,311
Passenger Airline Revenues	\$7,895,060	\$8,641,261	\$9,807,832	\$10,151,106	\$10,506,395	\$10,874,118	\$11,254,713	\$11,648,627
Enplanements	1,466,884	1,460,041	1,502,800	1,514,100	1,527,400	1,540,700	1,554,100	1,567,600
Passenger Airline Cost per Enplanement	\$5.38	\$5.92	\$6.53	\$6.70	\$6.88	\$7.06	\$7.24	\$7.43
Airline Rates & Charges								
	Actual	Estimate	Projected					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Terminal Rental Rate (per square foot)	\$1.50	\$1.50	\$1.70	\$1.76	\$1.82	\$1.88	\$1.95	\$2.02
Common Use Fee (per enplaned passenger)	\$1.75	\$1.75	\$2.00	\$2.07	\$2.14	\$2.22	\$2.30	\$2.38
Landing Fee - Day (per 1,000 pounds)	\$2.50	\$2.50	\$2.85	\$2.95	\$3.05	\$3.16	\$3.27	\$3.38
Landing Fee -Night (per 1,000 pounds)	\$5.30	\$5.30	\$6.00	\$6.21	\$6.43	\$6.65	\$6.89	\$7.13
Gate Use Fees (per 1,000 pounds)	\$0.75	\$0.75	\$0.85	\$0.88	\$0.91	\$0.94	\$0.98	\$1.01
Ramp Fee (per 1,000 pounds)	\$0.62	\$0.62	\$0.70	\$0.72	\$0.75	\$0.78	\$0.80	\$0.83

Source: City of Long Beach, July 2010.

Prepared by: Ricondo & Associates, Inc., July 2010.

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Table IV-11

Net Revenues and Debt Service Coverage

	Actual	Estimate	Projected					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Landing Fees	\$4,581,122	\$4,590,000	\$5,209,650	\$5,391,988	\$5,580,707	\$5,776,032	\$5,978,193	\$6,187,430
Common Use	2,367,393	2,600,000	2,951,000	3,054,285	3,161,185	3,271,826	3,386,340	3,504,862
Gate Use	1,191,799	1,620,000	1,838,700	1,903,055	1,969,661	2,038,600	2,109,951	2,183,799
Ramp (RON)	230,459	249,000	282,615	292,507	302,744	313,340	324,307	335,658
Terminal Rent	65,351	67,647	76,779	79,467	82,248	85,127	88,106	91,190
Nonairline Revenues	21,500,033	21,537,685	20,929,325	24,350,517	25,246,765	25,911,038	26,597,501	27,372,880
Total Revenues	\$29,936,157	\$30,664,332	\$31,288,069	\$35,071,817	\$36,343,311	\$37,395,963	\$38,484,398	\$39,675,819
O&M Expenses	24,899,058	27,046,205	27,740,313	26,711,224	27,518,117	28,558,181	29,634,647	30,748,790
Net Revenues	\$5,037,099	\$3,618,127	\$3,547,756	\$8,360,594	\$8,825,194	\$8,837,782	\$8,849,751	\$8,927,029
Pledged PFC Revenue	0	0	453,887	1,100,359	4,960,477	4,962,321	4,961,366	4,962,031
Pledged Revenues	\$5,037,099	\$3,618,127	\$4,001,644	\$9,460,953	\$13,785,671	\$13,800,103	\$13,811,117	\$13,889,060
Certificates of Participation	\$1,290,545	\$187,000	\$0	\$0	\$0	\$0	\$0	\$0
Series 2009 Bonds	0	977,109	1,133,450	3,315,007	3,990,226	3,990,226	3,988,426	3,989,826
Series 2010 Bonds ^{1/}	0	0	363,110	880,288	4,515,688	4,516,388	4,518,788	4,517,588
Funds Remaining	\$3,746,554	\$2,454,018	\$2,505,084	\$5,265,658	\$5,279,758	\$5,293,489	\$5,303,904	\$5,381,646
Coverage Calculation								
Pledged Revenues (Cash Flow)	\$5,037,099	\$3,618,127	\$4,001,644	\$9,460,953	\$13,785,671	\$13,800,103	\$13,811,117	\$13,889,060
Plus								
Transfer Account (25% of Debt Service)	322,636	291,027	374,140	1,048,824	2,126,478	2,126,653	2,126,803	2,126,853
Pledged Revenues (With Transfer Account)	\$5,359,735	\$3,909,154	\$4,375,784	\$10,509,777	\$15,912,150	\$15,926,756	\$15,937,921	\$16,015,914
Debt Service	\$1,290,545	\$1,164,109	\$1,496,560	\$4,195,295	\$8,505,914	\$8,506,614	\$8,507,214	\$8,507,414
Debt Service Coverage (Cash Flow)	3.90	3.11	2.67	2.26	1.62	1.62	1.62	1.63
Debt Service Coverage (With Transfer Account)	4.15	3.36	2.92	2.51	1.87	1.87	1.87	1.88

Note:

1/ Debt service projections are preliminary and subject to change.

Source: City of Long Beach, September 2010.

Prepared by: Ricondo & Associates, Inc., September 2010.

Table IV-12

Net Revenues and Debt Service Coverage - Sensitivity Analysis: Base Case Airline Cost Per Enplanement Scenario

	Actual	Estimate	Projected					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Landing Fees	\$4,581,122	\$4,590,000	\$5,209,650	\$5,391,988	\$4,520,373	\$4,678,586	\$4,842,336	\$5,011,818
Common Use	2,367,393	2,600,000	2,951,000	3,054,285	2,560,560	2,650,179	2,742,936	2,838,938
Gate Use	1,191,799	1,620,000	1,838,700	1,903,055	1,595,426	1,651,266	1,709,060	1,768,877
Ramp (RON)	230,459	249,000	282,615	292,507	245,223	253,806	262,689	271,883
Terminal Rent	65,351	67,647	76,779	79,467	82,248	85,127	88,106	91,190
Nonairline Revenues	21,500,033	21,537,685	20,929,325	24,350,517	22,053,518	22,617,251	23,199,574	23,854,242
Total Revenues	\$29,936,157	\$30,664,332	\$31,288,069	\$35,071,817	\$31,057,347	\$31,936,215	\$32,844,701	\$33,836,949
O&M Expenses	24,899,058	27,046,205	27,740,313	26,711,224	25,149,372	26,106,530	27,097,188	28,122,520
Net Revenues	\$5,037,099	\$3,618,127	\$3,547,756	\$8,360,594	\$5,907,975	\$5,829,685	\$5,747,513	\$5,714,429
Pledged PFC Revenue	0	0	453,887	1,100,359	4,960,477	4,962,321	4,961,366	4,962,031
Pledged Revenues	\$5,037,099	\$3,618,127	\$4,001,644	\$9,460,953	\$10,868,452	\$10,792,006	\$10,708,879	\$10,676,460
Certificates of Participation	\$1,290,545	\$187,000	\$0	\$0	\$0	\$0	\$0	\$0
Series 2009 Bonds	0	977,109	1,133,450	3,315,007	3,990,226	3,990,226	3,988,426	3,989,826
Series 2010 Bonds ^{1/}	0	0	363,110	880,288	4,515,688	4,516,388	4,518,788	4,517,588
Funds Remaining	\$3,746,554	\$2,454,018	\$2,505,084	\$5,265,658	\$2,362,539	\$2,285,392	\$2,201,665	\$2,169,046
Coverage Calculation								
Pledged Revenues (Cash Flow)	\$5,037,099	\$3,618,127	\$4,001,644	\$9,460,953	\$10,868,452	\$10,792,006	\$10,708,879	\$10,676,460
Plus								
Transfer Account (25% of Debt Service)	322,636	291,027	374,140	1,048,824	2,126,478	2,126,653	2,126,803	2,126,853
Pledged Revenues (With Transfer Account)	\$5,359,735	\$3,909,154	\$4,375,784	\$10,509,777	\$12,994,931	\$12,918,659	\$12,835,682	\$12,803,313
Debt Service	\$1,290,545	\$1,164,109	\$1,496,560	\$4,195,295	\$8,505,914	\$8,506,614	\$8,507,214	\$8,507,414
Debt Service Coverage (With Transfer Account)	4.15	3.36	2.92	2.51	1.53	1.52	1.51	1.50

Note:

^{1/} Debt service projections are preliminary and subject to change.

Source: City of Long Beach, September 2010.

Prepared by: Ricondo & Associates, Inc., September 2010.

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Table IV-13

Net Revenues and Debt Service Coverage - Sensitivity Analyses: Competitive Airline Cost Per Enplanement Scenario

	Actual	Estimate	Projected					
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Landing Fees	\$4,581,122	\$4,590,000	\$5,209,650	\$5,391,988	\$6,082,971	\$6,295,875	\$6,516,231	\$6,744,299
Common Use	2,367,393	2,600,000	2,951,000	3,054,285	3,445,692	3,566,291	3,691,111	3,820,300
Gate Use	1,191,799	1,620,000	1,838,700	1,903,055	2,146,931	2,222,074	2,299,846	2,380,341
Ramp (RON)	230,459	249,000	282,615	292,507	329,991	341,541	353,495	365,867
Terminal Rent	65,351	67,647	76,779	79,467	82,248	85,127	88,106	91,190
Nonairline Revenues	21,500,033	21,537,685	20,929,325	24,350,517	22,053,518	22,655,801	23,278,505	23,975,456
Total Revenues	\$29,936,157	\$30,664,332	\$31,288,069	\$35,071,817	\$34,141,350	\$35,166,708	\$36,227,294	\$37,377,452
O&M Expenses	24,899,058	27,046,205	27,740,313	26,711,224	25,149,372	26,106,530	27,097,188	28,122,520
Net Revenues	\$5,037,099	\$3,618,127	\$3,547,756	\$8,360,594	\$8,991,979	\$9,060,179	\$9,130,105	\$9,254,932
Pledged PFC Revenue	0	0	453,887	1,100,359	4,960,477	4,962,321	4,961,366	4,962,031
Pledged Revenues	\$5,037,099	\$3,618,127	\$4,001,644	\$9,460,953	\$13,952,456	\$14,022,499	\$14,091,472	\$14,216,963
Certificates of Participation	\$1,290,545	\$187,000	\$0	\$0	\$0	\$0	\$0	\$0
Series 2009 Bonds	0	977,109	1,133,450	3,315,007	3,990,226	3,990,226	3,988,426	3,989,826
Series 2010 Bonds ^{1/}	0	0	363,110	880,288	4,515,688	4,516,388	4,518,788	4,517,588
Funds Remaining	\$3,746,554	\$2,454,018	\$2,505,084	\$5,265,658	\$5,446,542	\$5,515,886	\$5,584,258	\$5,709,550
Coverage Calculation								
Pledged Revenues (Cash Flow)	\$5,037,099	\$3,618,127	\$4,001,644	\$9,460,953	\$13,952,456	\$14,022,499	\$14,091,472	\$14,216,963
Plus								
Transfer Account (25% of Debt Service)	322,636	291,027	374,140	1,048,824	2,126,478	2,126,653	2,126,803	2,126,853
Pledged Revenues (With Transfer Account)	\$5,359,735	\$3,909,154	\$4,375,784	\$10,509,777	\$16,078,934	\$16,149,153	\$16,218,275	\$16,343,817
Debt Service	\$1,290,545	\$1,164,109	\$1,496,560	\$4,195,295	\$8,505,914	\$8,506,614	\$8,507,214	\$8,507,414
Debt Service Coverage (With Transfer Account)	4.15	3.36	2.92	2.51	1.89	1.90	1.91	1.92

Note:

^{1/} Debt service projections are preliminary and subject to change.

Source: City of Long Beach, October 2010.

Prepared by: Ricondo & Associates, Inc., October 2010.

ATTACHMENT B
Series 2009 Report

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City of Long Beach, California
Senior Airport Revenue Bonds, Series 2009A
Senior Airport Revenue Refunding Bonds, Series 2009B
Senior Airport Revenue Bonds, Series 2009C

REPORT OF THE AIRPORT CONSULTANT

Ricondo & Associates, Inc.
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Cincinnati, OH 45202
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November 24, 2009

Mr. Mario Rodriguez
Airport Director
Long Beach Airport (Daugherty Field)
4100 Donald Douglas Drive
Long Beach, CA 90808

RE: ***City of Long Beach, California***
Senior Airport Revenue Bonds, Series 2009A
Senior Airport Revenue Refunding Bonds, Series 2009B
Senior Airport Revenue Bonds, Series 2009C
Appendix A: Report of the Airport Consultant

Dear Mr. Rodriguez

This report sets forth findings, assumptions, and projections of the air traffic and financial analysis performed by Ricondo & Associates, Inc. (R&A), in conjunction with the planned issuance by the City of Long Beach, California (City) of its Long Beach, California Senior Airport Revenue Bonds, Series 2009A (Series 2009A Bonds), its City of Long Beach, California Senior Airport Revenue Refunding Bonds, Series 2009B (Series 2009B Bonds), and its Long Beach, California Senior Airport Revenue Bonds, Series 2009C (Series 2009C Bonds). The City is a municipal corporation organized and existing under its Charter and the Constitution and the laws of the State of California. Long Beach Airport (Airport or LGB) is operated by the City and is under the direction of the City Manager. The City has authorized the issuance of the Series 2009A Bonds which, together with investment earnings, will finance a portion of the construction of Phase I of a new parking garage and surface parking (Series 2009 Project) at the Airport and refund a portion of the outstanding Subordinate Airport Commercial Paper Notes. The City plans to issue its Series 2009B Bonds to refund the City's outstanding Certificates of Participation (1993 Airport Refunding Project). The City has also authorized the issuance of the Series 2009C Bonds which, together with investment earnings, will finance a portion of the Series 2009 Project. The Series 2009A Bonds, the Series 2009B Bonds, and the Series 2009C Bonds are collectively referred to in this report as the "Series 2009 Bonds". This report is intended for inclusion in the Official Statement for the Series 2009 Bonds as Appendix A: Report of the Airport Consultant.

This report includes examinations of the underlying economic base of the Airport's Air Trade Area (as defined in this report), which directly relates to the demand for air transportation (Chapter 1); historical and projected air traffic activity at the Airport (Chapter 2); a description of existing Airport facilities and planned capital development including a summary of the Series 2009 Project



Mr. Mario Rodriguez
Long Beach Airport
November 24, 2009

(Chapter 3); and projected revenues and expenses, with consideration for the anticipated impacts of the Series 2009 Project and terminal expansion projects through the Airport's fiscal year (FY) 2015 (Chapter 4).¹

On the basis of the assumptions and analyses described in this report, R&A is of the opinion that Airport Net Revenues (as defined herein) will be adequate to meet the City's rate covenant for the Airport, as set forth in the Master Senior Trust Indenture (as defined herein), during the projection period FY 2009 through FY 2015. Additional findings of these analyses include the following:

Economic Base

- The economic base of the Airport's Air Trade Area, as defined in this report,² is broad and diversified and will continue to support long term growth in demand for air transportation services at the Airport.
- With a population of 490,000, Long Beach is the second-largest city in the Air Trade Area. The Air Trade Area has a substantial population base with approximately 18.4 million residents. It is ranked as the second-largest metropolitan area in the United States. Population in the Air Trade Area is projected to grow during the projection period at a rate comparable to that of California and the U.S.
- At an estimated \$60,030 in 2009, the Air Trade Area's median household income is 9.7 percent higher than that of the U.S. and 2.6 percent lower than that of California. In addition, more than 2.2 million of the Air Trade Area's households earn more than \$75,000 per year, the income category that generates the greatest demand for airline travel, according to the Travel Industry Association.
- In 2009, 19 companies in the Air Trade Area are listed among the top 500 U.S. companies by *Fortune* magazine when ranked by annual revenue. The Air Trade Area has the fifth highest number of Fortune 500 headquarters in the United States. "Fortune 500" companies that are headquartered in the Air Trade Area include Walt Disney, Northrop Grumman, Amgen and Mattel. Major companies with significant operations in Long Beach include Boeing, Gulfstream Aerospace, Toyota, Verizon, DirecTV and Epson America.
- 255 Air Trade Area companies have 3,692 branches, subsidiaries, or affiliates in foreign countries, and 998 foreign firms have 1,882 operations in the Air Trade Area.
- The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities, and the travel and tourism industry is an important source of employment. The

¹ The Airport's fiscal year ends September 30.

² The Air Trade Area is defined as the Los Angeles-Long Beach-Riverside Combined Statistical Area which includes Los Angeles County, Orange County, Riverside County, San Bernardino County and Ventura County.



Mr. Mario Rodriguez
Long Beach Airport
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number of visitors to the Air Trade Area reached approximately 25.6 million in 2008 and generated \$13.8 billion in overnight visitor spending. Long Beach attracts an estimated 5.5 million visitors annually who generate \$780 million in direct spending.

- Although the Air Trade Area is well-positioned with a broad and diverse economic base, its economic outlook is subject to overall economic conditions in the U.S. Recent surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics (NABE) indicate consensus for a modest rebound in real gross domestic product (GDP) growth by the end of 2009, and moderate economic recovery in 2010.
- At 12.3 percent (as of September 2009), the unemployment rate in the Air Trade Area is higher than the state's and the nation's. Similar to forecasts from NABE and Blue Chip Economic Indicators, a recent report from the Los Angeles County Economic Development Corporation (LAEDC) projects that unemployment rates in both California and the Air Trade Area will remain elevated in 2010. As with the U.S. overall, economic growth in California and the Air Trade Area is expected to resume in 2010 as household spending stabilizes and businesses bring production capacity and inventory stocks into alignment with sales. Economic recovery in the Air Trade Area is generally expected to follow statewide and national trends, and to support growth in projected activity at the Airport during the Projection Period.

Air Traffic

- Enplanement growth at the Airport over the past ten years has increased at a compounded annual growth rate greater than the national average. Passenger activity at the Airport increased from over 300,000 enplanements in FY 1998 to over 1.4 million in FY 2009. This increase represents a compounded annual growth rate of 15.4 percent during this period, compared to 0.5 percent for the nation.
- In late FY 2001 (August 2001), JetBlue initiated its low-fare service from the Airport to its initial focus city operating at John F. Kennedy International Airport (JFK). Since then, JetBlue significantly increased air traffic to and from the Airport and has established the Airport as an alternative for nonstop 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 of these West Coast corridor markets from the Airport with a total of 20 daily flights.
- The presence of JetBlue has increased the Airport's ranking of total enplaned and deplaned passengers nationwide, from 118th in calendar year (CY) 2000 to 75th in CY 2008.
- JetBlue will continue to be the largest carrier in terms of enplanements, landed weight, and air carrier operations. JetBlue will continue to use Airbus A320 or Embraer 190 aircraft. JetBlue's share of enplaned passengers at the Airport stood at 74.0 percent in FY 2005 and built-up to 78.4 percent in FY 2009.



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- Of the Airport's top 20 O&D markets in FY 2000, only four had direct nonstop service. Currently, twelve of the top 20 O&D markets have direct nonstop service (with all but Phoenix being served by JetBlue).
- As of October 2009, the Airport provides daily nonstop service to 15 destinations with a total of 43 daily flights.
- Air carrier operations at the Airport are currently restricted to 66 total daily flights. Forty-one of the total daily flights, known as Air Carrier Slots, are reserved for larger commercial aircraft, with the remaining 25 flights, known as Commuter Slots, reserved for aircraft having a certificated maximum take-off weight less than 75,000 pounds. As of October 2009, the Airport's 41 Air Carrier Slots are fully allocated. Five of the Air Carrier Slots will be reallocated to incumbent and/or new entrant carriers during FY 2010 after Alaska discontinues Air Carrier service at the Airport in November 2009. To continue to maintain the full service of the Alaska Air Group at the Airport, Horizon Air has increased its allocation of Commuter Slots from two to four commencing November 2009. SkyWest (d/b/a Delta Connection) currently holds five of the Airport's Commuter Slots. The remaining 16 Commuter Slots are not being used by any airline and remain available for allocation.
- According to the most recent list compiled and released by Aviation Resource Group International in July 2006, the Airport ranked 3rd among the top 100 general aviation U.S. airports (based upon the number of FAA-reported itinerant general aviation operations).
- Due to the limitation on air carrier operations, it is expected that Airport enplanements will increase during the projection period, but not at the expected nationwide rate projected by the FAA. Total airline enplanements are projected to increase from 1,466,884 in FY 2009 to 1,554,100 in FY 2015. The increase between FY 2009 and FY 2015 represents a compounded annual growth rate of 1.0 percent during this period, compared to the 3.5 percent growth projected nationwide by the FAA.

Financial Analyses

- The Series 2009 Project is feasible in terms of providing facilities at a cost that will retain reasonable levels of rates and charges to the users of the Airport facilities. Furthermore, the incorporation of the Airport's terminal expansion program for the period FY 2009 through FY 2015 also yields reasonable levels of rates and charges to the users of the Airport facilities over the projection period.
- Projected airline rates and charges together with other Airport revenues are sufficient to ensure that all Maintenance and Operation (M&O) costs, debt service and coverage, and fund deposit requirements can be generated through reasonable user fees. Cost per enplanement for the airlines is projected to increase from a budgeted \$5.49 in FY 2009 to \$6.56 in FY 2015. This increase is primarily attributable to inflationary growth in M&O costs.



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- Debt Service Coverage is projected to be greater than the required 1.25x in each of the projected years. As shown in this report, for the period FY 2010 to FY 2015, the Debt Service Coverage ratio is projected to range from as high as 4.02x in FY 2010 to a low of 1.79x in FY 2013 and FY 2014.

Except as defined otherwise, the capitalized terms used in this report are as defined in the Master Senior Trust Indenture and/or the Official Statement for the Series 2009 Bonds. The techniques used in this report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes the approach and assumptions utilized are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of projections described in this report, therefore, is dependent upon the occurrence of future events, and variations may be material.

Sincerely,

A handwritten signature in cursive script that reads 'Ricondo & Associates, Inc.' The signature is written in dark ink and is positioned above the printed name of the company.

RICONDO & ASSOCIATES, INC.

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I. Economic Base for Air Transportation

This chapter profiles the Los Angeles regional economy, including current conditions and trends.¹ In particular, the following discussion focuses on economic factors that will affect future demand for air passengers at Long Beach Airport (Airport or LGB).

For the purposes of this Chapter, the “Air Trade Area” refers to the Los Angeles-Long Beach-Riverside Combined Statistical Area, except where noted otherwise. As presented in **Exhibit I-1**, the Air Trade Area is comprised of five counties: Los Angeles County, Orange County, Ventura County, Riverside County, and San Bernardino County.

1.1 Summary

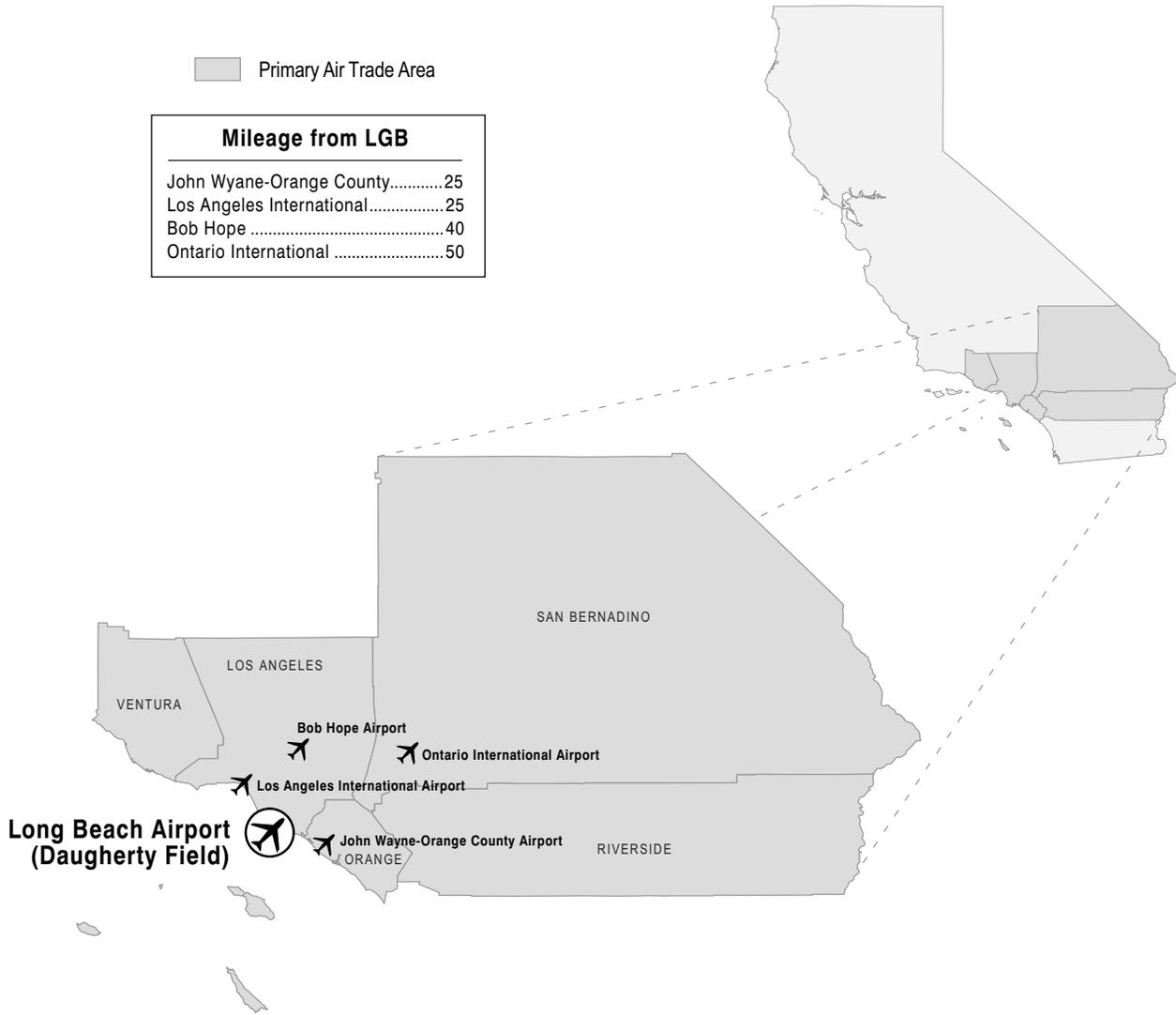
Table I-1 provides an overview of the key economic indicators presented and discussed in this chapter. A summary of key socioeconomic trends in the Air Trade Area includes the following:

- **Population.** With an estimated 490,000 residents in 2009, Long Beach is the second-largest city in the Air Trade Area. The Air Trade Area, which has a substantial population base of 18.4 million, is ranked as the second-largest metropolitan area in the United States.² Population in the Air Trade Area increased at a compounded annual growth rate of 1.3 percent between 2000 and 2009, compared with 1.2 percent in California and 1.0 percent in the U.S. Between 2009 and 2015, population in the Air Trade Area is projected to increase at a rate comparable to that of both California and the U.S.
- **Income.** Median household income in the Air Trade Area in 2009 was 9.7 percent higher than that of the U.S.³ and 2.6 percent lower than that of California. In addition, more than 2.2 million of the Air Trade Area’s households earned more than \$75,000 in 2009, the income category that generates the greatest demand for airline travel according to the Travel Industry Association. As measured by the number of households with annual income of \$75,000 or more, the Air Trade Area is the second wealthiest market in the United States, exceeded only by the New York-New Jersey-Bridgeport CSA. Income projections show continued growth in the number of the Air Trade Area’s households with income greater than \$75,000 between 2009 and 2014. This suggests a continuing ability by the Air Trade Area’s households to draw on discretionary income for spending on air travel.
- **Unemployment.** The annual unemployment rates for the Air Trade Area have been below those for the State of California in all years from 1998 through 2007 with the exception of 2000 and 2008 when they were equal. When the same comparison is made to the U.S., the Air Trade Area’s unemployment rate was higher from 1998 through 2004, lower in 2005 and 2006, and then higher again in both 2007 and 2008. In September 2009 (latest data available), the unemployment rate for the Air Trade Area was 12.3 percent. This is above the rate in California overall where the unemployment rate was 12.2 percent. The unemployment rate for the U.S. was 9.8 percent in September 2009.

¹ This chapter has been prepared by Partners for Economic Solutions LLC, a consulting firm based in Washington, D.C. that specializes in regional economic analysis.

² ESRI, Market Profile of the Los Angeles-Long Beach-Riverside Combined Statistical Area, May 2009.

³ ESRI, Market Profile of the Los Angeles-Long Beach-Riverside Combined Statistical Area, May 2009.



Source: Map Resources 2007
Prepared by: Ricondo & Associates, Inc.

Exhibit I-1

Airport Air Trade Area and Alternative Facilities

Table I-1

Summary of Key Economic Indicators

	Long Beach	Air Trade Area	California	United States
Population				
2000	461,522	16,438,250	34,004,051	282,194,308
2009 (Estimated)	490,679	18,432,448	37,933,734	309,731,508
2015 (Projected)	NA	19,265,749	41,715,070	326,038,477
Population Growth^{1/}				
2000-2009 (Estimated)	0.7%	<u>1.3%</u>	1.2%	1.0%
2009-2015 (Projected)	NA	0.7%	<u>0.8%</u>	1.0%
Median Household Income				
2009 (Estimated)	\$48,602	\$60,030	<u>\$61,614</u>	\$54,719
2014 (Projected)	\$51,348	\$62,594	<u>\$64,088</u>	\$56,938
% 2009 Households in \$75,000-Above	29.9%	38.3%	<u>39.6%</u>	33.3%
Growth In Civilian Labor Force^{1/}				
1998-2008	NA	<u>1.3%</u>	1.3%	1.1%
1998-2003	NA	<u>1.5%</u>	<u>1.5%</u>	1.2%
2003-2008	0.9%	<u>1.2%</u>	1.1%	1.1%
Unemployment Rate				
1998	NA	5.8%	6.0%	<u>4.5%</u>
2003	7.7%	6.4%	6.8%	<u>6.0%</u>
2008	8.3%	7.2%	7.2%	<u>5.8%</u>
July 2009	NA	12.2%	11.9%	<u>9.4%</u>
Growth in Nonagricultural Employment, 1998-2008 ^{1/}	NA	1.1%	0.9%	<u>1.2%</u>
Employment By Industry, 2008				
Services	NA	<u>44.9%</u>	44.0%	43.1%
Trade	NA	<u>15.0%</u>	14.2%	14.6%
Fin/Ins/Real Estate	NA	<u>11.2%</u>	10.5%	9.3%
Government	NA	10.9%	13.0%	<u>13.6%</u>
Manufacturing	NA	<u>8.6%</u>	7.6%	8.2%
Construction	NA	6.2%	7.6%	<u>7.7%</u>
Transportation/Utilities	NA	3.3%	2.9%	<u>3.6%</u>

Note: Best performing numbers or rates in each row are shown in bold and underlined font

^{1/} Compounded annual growth rate.

Sources: Various sources indicated on Tables I-3 through I-14 of this chapter.
Prepared by: Partners for Economic Solutions, September 2009

- **Nonagricultural Employment.** Nonagricultural employment in the Air Trade Area grew by a compounded annual growth rate of 1.1 percent during the 1998-2008 period, compared with 0.9 percent for the State of California and 1.2 percent for United States during this period. Measured by percentages, employment in major industry divisions (services, trade, manufacturing, transportation, utilities, etc.) in the Air Trade Area are generally consistent with those of California and the U.S. and indicate that the Air Trade Area has a diversified employment base.

As evidenced by the points above and the data reflected in Table I-1, the economic base of the Air Trade Area is relatively stable and diversified, and is capable of generating increased demand for air transportation at the Airport during the projection period. The broad economic base of the Air Trade Area has contributed to the Airport's growing popularity as a gateway to the region. Increased demand for air transport at the Airport is supported by strong projected population growth, projected household income growth, a significant percentage of households in higher income categories, labor force growth, and growth in nonagricultural employment, as well as other key socioeconomic points regarding the Air Trade Area summarized below:

- **Potential Housing Market Stabilization.** Since 2008, foreclosure activity has been a major driver of home sales in the Air Trade Area, especially in Riverside and San Bernardino Counties. Although recovery in the Air Trade Area's housing market remains difficult to forecast, signs of stabilization are appearing as a lack of available financing has significantly curtailed new home construction, and the inventory of unsold homes in the Air Trade Area has recently moved below the historical average. In addition, State and federal tax credit programs for first-time buyers have helped propel sales in the Air Trade Area, most notably for homes priced below \$500,000.⁴
- **Diversified Economy.** In spite of the current recession, the Air Trade Area's economy remains one of the nation's most dynamic and diverse. Basic industries extend beyond the familiar three tiers of aerospace, entertainment and tourism that are typically associated with the Air Trade Area's economy. The 18 major industries that provide the Air Trade Area's economic base range from health services and bio-medicine to apparel design and toy manufacturing.⁵ The Air Trade Area's diverse economy yielded more than \$793 billion in gross regional product in 2008 — accounting for more than 46 percent of California's gross state product in that year.⁶ The distribution among the categories of non-agricultural employment in the Air Trade Area generally mirrored that of the nation in 2008, providing the area with an economic base as diversified as the national economy.
- **Large Number of Fortune 500 Companies Stimulates Demand for Business Travel.** In 2009, 19 companies with headquarters in the Air Trade Area region were listed among the top 500 U.S. companies by *Fortune* magazine when ranked by annual revenue. The Air Trade Area has the fifth- highest number of Fortune 500 headquarters in the United States. Major companies with headquarters in the Air Trade Area include Walt Disney, Northrop Grumman, Amgen, and Mattel.

⁴ "July Sales and Price Report," California Association of Realtors, August 25, 2009, <http://www.car.org/newsstand/newsreleases/julysalesandpricereport>, accessed August 27, 2009.

⁵ *L.A. Stats*, Los Angeles County Economic Development Corporation, April 2009.

⁶ Woods & Poole Economics, Inc., *2008 Complete Economic and Demographic Data*.

- **Extensive International Business Network.** Data indicate that 255 companies in the Air Trade Area Los Angeles CSA have 3,692 branches, subsidiaries, or affiliates in foreign countries. In addition, 998 foreign firms have 1,882 branches, subsidiaries, or affiliates in the Air Trade Area.⁷ In 2008, total trade activity (both imports and exports) between the Los Angeles Customs District and the rest of the world was valued at \$431.9 billion.⁸ Over \$78.7 billion in goods from the Los Angeles Customs District⁹ were conveyed by air (18 percent of the total), and the Los Angeles Customs District accounted for more than 59 percent of California's total trade by air.
- **Diversified Population.** The Air Trade Area's population is very diverse: 49.4 percent of the region's residents are non-white, compared with 28.0 percent for the nation as a whole. Persons of Hispanic origin make up 46.6 percent of the Air Trade Area's population, compared with 15.7 percent in the U.S.¹⁰ This population diversity serves as a source of demand for both domestic and international air travel. According to survey data from the Travel Industry Association and Claritas Inc., ethnically and racially diverse social groups show stronger proportional demand for air travel compared to their share of total U.S. households.¹¹
- **Significant Tourism Stimulates Demand for Leisure Travel.** The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities, and the travel and tourism industry is an important source of employment. Approximately 25.6 million people traveled to the Air Trade Area in 2008 and generated approximately \$13.8 billion in overnight visitor spending.¹²
- **Economic Outlook.** Although the Air Trade Area is well-positioned with a broad and diverse economic base, it still remains subject to overall economic conditions in the U.S. Recent surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics indicate consensus for a modest rebound in national real GDP growth by the end of 2009 and moderate economic recovery in 2010.¹³ Similar to forecasts from NABE and Blue Chip Economic Indicators, a recent report from the

⁷ *Directory of American Firms Operating in Foreign Countries*, 20th edition, Uniworld Business Publications, Inc., 2009; *Directory of Foreign Firms Operating in the United States*, 14th edition, Uniworld Business Publications, Inc., 2008

⁸ FT 920 U.S. Merchandise Trade: Selected Highlights February 2009, U.S. Dept. of Commerce, Bureau of the Census, www.census.gov/foreign-trade/Press-Release/2008pr/12/ft920, accessed June 23, 2009.

⁹ Detailed trade data (commodity, value, air value, vessel value) are tracked by Customs District and are published by the Foreign Trade Division of the U.S. Department of Commerce. These data can be used to make regional comparisons of total imports and exports, or imports and exports of particular commodities. The U.S. is classified into 55 Customs Districts, three of which are in California.

¹⁰ ESRI, Market Profile of the Los Angeles-Long Beach-Riverside Combined Statistical Area, May 2009.

¹¹ See Section 1.3.3.

¹² Los Angeles Convention and Visitors Bureau, Los Angeles Tourism By Numbers: 2008 Quick Facts, <http://discoverlosangeles.com/business-services/research-and-reports/LAquickfacts08.pdf>, accessed June 23, 2009.

¹³ *NABE Outlook*, May 2009, National Association for Business Economics; *Blue Chip Economic Indicators*, Vol. 34, No. 9 September 10, 2009, Aspen Publishers.

Los Angeles County Economic Development Corporation (LAEDC) projects that unemployment rates in both California and the Air Trade Area will remain elevated in 2010. As with the U.S. overall, economic growth in California and the Air Trade Area is expected to resume in 2010¹⁴ as household spending stabilizes and businesses bring production capacity and inventory stocks into alignment with sales.

1.1.1 Air Trade Area

The Air Trade Area is served by five commercial service airports: LGB, Los Angeles International Airport (LAX); Bob Hope Airport in Burbank (BUR); LA/Ontario International Airport (LA/ONT); and John Wayne Airport (SNA) 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. LGB draws passengers primarily from the region for short-, medium-, and long-haul domestic service.

Exhibit I-1 graphically illustrates the location of the Air Trade Area within the State of California, as well the location of LGB and the four other commercial service airports within the Air Trade Area. These facilities collectively provide a regional network of commercial air service due to the densely populated and high-income characteristics of the Air Trade Area, as discussed below.

1.2 Demographic Profile

Data for population growth, age distribution, race, ethnicity, immigration, and educational attainment for the Air Trade Area are discussed below and are presented in Tables I-2 through I-9 which follow. Parallel data for Long Beach, California and the U.S. are also shown to provide a basis of comparison for trends in the Air Trade Area.

1.2.1 Population Growth

As measured by population, the Air Trade Area, with just over 18.4 million people in 2009, is the second-largest of the 126 Combined Statistical Areas (CSA) in the United States. Only the New York-New Jersey-Bridgeport CSA, with approximately 22.2 million people, represents a larger market for air transportation. Further, the Air Trade Area has approximately 8.4 million more people than the third-largest consolidated market in the United States (the Chicago-Naperville-Michigan City CSA). (See **Table I-2**)

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¹⁴ UCLA Anderson Forecast: National Recovery Linked to Global Solutions, http://uclaforecast.com/contents/archive/2009/media_32509_1.asp, accessed June 30, 2009.

Table I-2
Five Largest CSAs, 2009

Rank	Combined Statistical Area	Population
1	New York-Newark-Bridgeport	22,227,2845
2	LOS ANGELES-LONG BEACH-RIVERSIDE	18,432,448
3	Chicago-Naperville-Michigan City	9,980,213
4	Washington-Baltimore-Northern Virginia	8,428,585
5	Boston-Worcester-Manchester	7,540,533

Source: ESRI, May 2009
Prepared by: Partners for Economic Solutions, September 2009.

Long Beach is the second-largest city in the Air Trade Area. Its population grew from over 461,000 in 2000 to over 490,000 residents in 2009, reflecting a compounded annual growth rate of 0.7 percent over the nine-year period.

Population growth is a key factor creating demand for air travel. According to the 2000 U.S. Census, the Air Trade Area had a population of more than 16 million; and by 2009 it had increased to more than 18.4 million (See **Table I-3**). The Air Trade Area added approximately 2.0 million people to its population between 2000 and 2009 (or, over 221,000 per year), and its compounded annual growth rate over the nine-year period was similar to that of both California and the U.S. In 2009, the Air Trade Area accounted for 48.6 percent of California’s population and 6.0 percent of the U.S. population.

The Air Trade Area population forecast for the period 2009 to 2015 reflects a compounded annual growth rate of 0.7 percent per year, nearly equaling the forecasted compounded annual growth rate for California (0.8 percent) and for the U.S. (1.0 percent). It is expected that an increase in new residents in the Air Trade Area (833,301 between 2009 and 2015 and 986,515 between 2015 and 2020) will generate additional demand for air service at the Airport.¹⁵

1.2.2 Age Distribution

Business and leisure air travel frequency varies by age group. According to the Travel Industry Association’s 2006 *Domestic Travel Market Report* (latest data available), in the U.S. persons between the ages of 35 and 54 account for 46 percent of air trips, compared with persons between 18 and 34 years (26 percent of total air trips) and persons 55 years and over (27 percent).

Table I-4 shows that the median age in the Air Trade Area in 2009 (33.2) is lower than in both California (34.3) and the U.S. (36.9 years). The difference is attributable, in part, to a higher percentage of residents aged 19 years and below and a lower percentage of residents aged 55 years and above. Similarly, with a median age of 30.7 years, Long Beach has a higher percentage of residents 19 and under and a lower percentage of residents aged 55 years and above compared to California and the U.S.

¹⁵ Woods & Poole Economics, Inc., *2008 Complete Economic and Demographic Data*.

Table I-3
Population Trends (2000-2020)

	Historical		Projected	
	2000	2009	2015	2020
Long Beach	461,522	490,679	NA	NA
Air Trade Area	16,438,250	18,432,448	19,265,749	20,252,264
California	34,004,051	37,933,734	39,675,945	41,715,070
United States	282,194,308	307,577,894	326,038,477	342,020,014
Compounded Annual Growth Rate		2000-2009	2009-2015	2015-2020
Long Beach		0.7%	NA	NA
Air Trade Area		1.3%	0.7%	1.0%
California		1.2%	0.8%	1.0%
United States		1.0%	1.0%	1.0%

Source: Woods & Poole Economics Inc., November 2008; ESRI, May 2009

Prepared by: Partners for Economic Solutions, September 2009

Table I-4
Age Distribution (2009)

	Long Beach	Air Trade Area	California	United States
Total Population	490,679	18,432,448	37,933,734	309,731,508
By Age Group				
19 and Under	31.0%	30.2%	29.0%	27.2%
20 – 24	9.0%	7.5%	7.4%	6.9%
25 – 34	16.2%	14.7%	14.5%	13.3%
35 – 44	13.6%	14.0%	13.9%	13.7%
45 – 54	12.6%	13.6%	14.0%	14.6%
55 – 64	8.8%	9.7%	10.3%	11.4%
65 and Above	9.0%	10.3%	10.9%	12.9%
Total	100.0%	100.0%	100.0%	100.0%
Median Age	30.7	33.2	34.3	36.9

Source: ESRI, May 2009.

Prepared by: Partners for Economic Solutions, September 2009

In 2009, Air Trade Area residents aged 35 to 54 made up 27.6 percent of the population, compared with 27.9 percent of the population in California and 28.3 percent in the U.S. This is the age group that tends to travel the most, particularly for business, and is represented in the Air Trade Area on a level commensurate with the population in both California and the U.S.

1.2.3 Population Diversity

The Air Trade Area's diverse population strengthens the competitiveness of the region. In a global economy, cultural diversity within a region's labor force is a distinct economic advantage, since employees with cultural and linguistic ties to international markets give companies an edge in establishing trade and investment opportunities.¹⁶ Survey data from the Travel Industry Association and Claritas Inc. indicate that several ethnically and racially diverse social groups show stronger proportional demand for air travel compared to their share of total U.S. households.¹⁷

As shown in **Table I-5**, the racial and ethnic composition of the Air Trade Area differs from that of California and of the nation as a whole. Data in Table I-5 show that the percentage of white residents in the Air Trade Area in 2009 (50.6 percent) is somewhat lower than that of California (54.5 percent), and significantly lower than in the U.S. overall (72.0 percent). Asians constituted a much larger share (11.6 percent) of the Air Trade Area's population compared with the U.S. (4.7 percent), but constituted a slightly smaller percentage when compared with California (12.5 percent). Black or African Americans represented 6.9 percent of Air Trade Area residents, compared with 6.2 percent of California's population and 12.7 percent of the U.S. population.

The percentage of Hispanics in the Air Trade Area is dramatically higher than in California or the U.S. overall. As shown in Table I-5, in 2009 46.6 percent of Air Trade Area residents are Hispanic, compared with 38.3 percent statewide and 15.7 percent nationally.

The population in Long Beach is similarly diverse. Only 40.7 percent of Long Beach residents are white, while 14.2 percent are Asian and 13.2 percent are Black or African American. Hispanic residents make up 43.0 percent of Long Beach's population.

1.2.4 Education

The Air Trade Area is home to a large number of educated adults. According to data shown in **Table I-6**, more than 34 percent of the Air Trade Area population over the age of 25 have a post-secondary degree (associate, bachelor's, graduate or professional). Although this percentage is nearly identical to that of the U.S. overall, it lags the percentage in California as a whole, where 36.6 percent of the population over the age of 25 have post-secondary degrees.

Long Beach residents have levels of education similar to the Air Trade Area: 33.9 percent of Long Beach's population over the age of 25 have a post-secondary degree (associate, bachelor's, graduate or professional).

In the Air Trade Area, 3.9 million residents over the age of 25 hold a bachelor's degree, a graduate degree, or a professional degree. According to the Travel Industry Association's 2006 *Domestic*

¹⁶ Frederic Docquier, "Skilled Migration and Business Networks", *Open Economies Review*, October 2008.

¹⁷ 2006 *Domestic Travel Market Report*, Travel Industry Association.

Table I-5

Population by Race and Ethnicity (2009)

	Long Beach	Air Trade Area	California	United States
Total Population	490,679	18,432,448	37,933,734	309,731,508
Race				
White	40.7%	50.6%	54.5%	72.0%
Black or African American	13.2%	6.9%	6.2%	12.7%
American Indian and Alaska Native	0.8%	0.8%	0.9%	0.9%
Asian or Pacific Islander	14.2%	11.6%	12.5%	4.7%
Other Race	24.6%	24.3%	19.8%	6.8%
More than One Race	6.5%	5.8%	6.1%	2.9%
Total	100.0%	100.0%	100.0%	100.0%
Persons of Hispanic Origin ^{1/}	43.0%	46.6%	38.3%	15.7%

Note:

1/ Population data are broken down into U.S. Census defined race groups. Hispanic population is not a race group but rather a description of ethnic origin. Hispanics are included in all of the Census defined race groups.

Sources: ESRI, May 2009.

Prepared by: Partners for Economic Solutions, September 2009

Table I-6

Educational Attainment (2009)

	Long Beach	Air Trade Area	California	United States
Population 25 years and over	294,353	11,464,486	24,131,967	203,796,862
Less than 9th Grade	12.7%	12.3%	10.5%	6.5%
9th - 12th Grade, No Diploma	10.7%	10.8%	9.7%	9.7%
High School Graduate	21.8%	22.5%	22.2%	29.8%
Some College, No Degree	20.9%	20.1%	21.0%	19.9%
Post-Secondary Degree	33.9%	34.3%	36.6%	34.1%
<i>Associate Degree</i>	7.2%	7.2%	7.5%	7.2%
<i>Bachelor's Degree</i>	17.9%	17.8%	18.7%	17.1%
<i>Graduate/Professional Degree</i>	8.8%	9.3%	10.4%	9.8%
Total	100.0%	100.0%	100.0%	100.0%

Source: ESRI, May 2009.

Prepared by: Partners for Economic Solutions, September 2009

Travel Market Report (latest data available), persons with a college degree are more likely to use air service. The survey data indicate that 56 percent of air travelers are college graduates, while 24 percent have had some college and just 20 percent never attended college.¹⁸

1.3 Income

Because 30.2 percent of the Air Trade Area's 18.4 million residents in 2009 are 19 years of age or younger (compared with 29.0 percent in California and 27.2 percent in the U.S. — see age distribution data in Table I-4), and because the majority of this group are presumably still in school, are not full-time workers, or hold entry-level jobs, the 2009 per capita income figures for the Air Trade Area are skewed with a downward bias and slightly lag those of California, although they closely match those of the U.S. (See **Table I-7**). Per capita income in Long Beach shows similar trends and also reflect a higher percentage of residents aged 19 and under.

However, the Air Trade Area's median household income of \$60,030 was 9.7 percent higher than that of the U.S. (\$54,719) and 2.7 percent lower than California's (\$61,614). Income forecasts for 2014 show that this trend is expected to continue as the Air Trade Area will reach a median household income level of \$62,594, compared to \$64,088 in California and \$56,938 in the U.S.¹⁹

For the purpose of assessing the Air Trade Area as an air travel market, it is useful to examine the distribution of high income households rather than per capita income data. As measured by the number of households with annual income of \$75,000 or more, the Air Trade Area is the second wealthiest market in the United States exceeded only by the New York-New Jersey-Bridgeport CSA (see **Table I-8**). In 2009, an estimated 2.2 million Air Trade Area households have an income of \$75,000 or more. According to the Travel Industry Association's 2006 *Domestic Travel Market Report* (latest data available), 62 percent of airplane trips are taken by travelers with an annual household income of \$75,000 or more. Data in **Table I-9** show that between 2009 and 2014, the number of households with income greater than \$75,000 in the Air Trade Area is projected to increase by 180,153. In Long Beach, over 50,000 households in 2009 earn \$75,000 and above, a figure expected to increase to over 53,000 by 2014.²⁰

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¹⁸ 2006 *Domestic Travel Market Report*, Travel Industry Association.

¹⁹ ESRI, Inc., 2008 Detailed Income Profile for Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties.

²⁰ ESRI, Inc., 2008 Detailed Income Profile for Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties.

Table I-7
Income Trends (2009-2014)

	Long Beach	Air Trade Area	California	United States
<u>Per Capita Income</u>				
2009 estimate	\$23,113	\$25,727	\$28,199	\$27,277
2014 forecast	\$24,180	\$26,838	\$29,471	\$28,494
CAGR 2009-2014	0.9%	0.8%	0.9%	0.9%
 <u>Median Household Income</u>				
2009 estimate	\$48,602	\$60,030	\$61,614	\$54,719
2014 forecast	\$51,348	\$62,594	\$64,088	\$56,938
CAGR 2009-2014	1.1%	0.8%	0.8%	0.8%

Note: CAGR = Compounded annual growth rate.

Source: ESRI, May 2009.

Prepared by: Partners for Economic Solutions, September 2009

Table I-8

Five Wealthiest CSAs, 2009

Rank	Consolidated Statistical Area	Estimated Households with Incomes of \$75,000 or More
1	New York-Newark-Bridgeport	3,631,663
2	LOS ANGELES-LONG BEACH-RIVERSIDE	2,247,039
3	Washington-Baltimore-Northern Virginia	1,600,223
4	Chicago-Naperville-Michigan City	1,573,714
5	San Jose-San Francisco-Oakland	1,471,239

Source: ESRI, May 2009

Prepared by: Partners for Economic Solutions, September 2009

1.4 Employment

1.4.1 1998-2008 and July 2009 Labor Force Trends and Unemployment Rates

Table I-10 shows that, between 1998 and 2008, the Air Trade Area labor force grew at a compounded annual growth rate of approximately 1.6 percent — higher than the labor force compounded annual growth rate in both California (1.5 percent), and the U.S. (1.2 percent). In absolute terms, the labor force in the Air Trade Area increased by 1,099,000 workers between 1998 and 2008.

Although the seasonally adjusted annual unemployment rate in the Air Trade Area exceeded that of the U.S. from 1998 through 2004, it was lower than the national unemployment rate in 2005 and 2006, and was higher again in both 2007 and 2008. The Air Trade Area's unemployment rate was lower than the state's in all years from 1998 through 2007 with the exception of 2000 and 2008 when they were approximately equal.

In September 2009 (latest data available), the unemployment rate for the Air Trade Area was 12.3 percent (non-seasonally adjusted).²¹ This is higher than the rate for California overall where the unemployment rate was 12.2 percent (seasonally adjusted). The unemployment rate for the U.S. was 9.8 percent in September 2009 (seasonally adjusted).

1.4.2 Major Employers in Long Beach and the Air Trade Area

As shown in **Table I-11** major private sector employers in the Air Trade Area include internationally dominant aerospace companies, pharmaceutical and biotechnology companies, health care providers, and national retailers. Long Beach's largest employers are shown in **Table I-12** and represent industries such as: aerospace (Boeing, Gulfstream); retail (Target); technology (Epson); auto parts (TABCO Inc., Denso); health care (Long Beach Memorial Hospital, SCAN Health Plan); industrial equipment (The Bragg Companies, Robertshaw Controls); and telecommunications (Verizon, DirecTV). In addition to providing a major source of local employment, these companies depend on air passenger and freight service for the continued health and expansion of their business enterprises. By providing passenger and air cargo service, the Airport is an important resource for employers in both Long Beach the entire Air Trade Area.

²¹ 2009 seasonally adjusted unemployment data for the Air Trade Area will be released in 2010.

Table I-9

Households with Income of \$75,000 and Above (2009-2014)

Location	2009 (Estimate)	2014 (Forecast)	2009-2014 Growth
Long Beach	50,315	53,149	2,833
Air Trade Area	2,247,039	2,427,192	180,153
California	5,011,045	5,424,014	412,969
United States	38,821,890	42,403,938	3,582,048

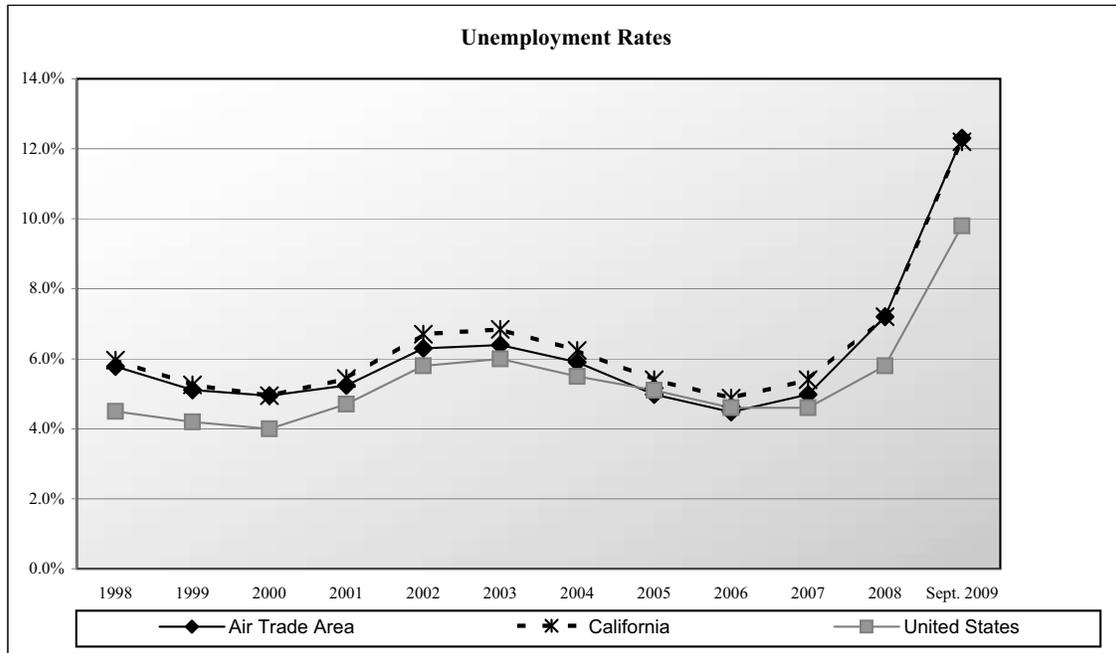
Source: ESRI, May 2009.

Prepared by: Partners for Economic Solutions, September 2009

Table I-10

Civilian Labor Force and Unemployment Rates (1998-2009)

Civilian Labor Force				Unemployment Rates			
Year	Air Trade Area	California	United States	Year	Air Trade Area	California	United States
1998	7,739,300	16,166,900	137,673,000	1998	5.8%	6.0%	4.5%
1999	7,875,900	16,430,600	139,368,000	1999	5.1%	5.3%	4.2%
2000	7,969,500	16,857,500	140,863,000	2000	4.9%	4.9%	4.0%
2001	8,139,800	17,152,100	141,815,000	2001	5.2%	5.4%	4.7%
2002	8,252,700	17,343,600	144,448,000	2002	6.3%	6.7%	5.8%
2003	8,336,900	17,418,700	146,233,000	2003	6.4%	6.8%	6.0%
2004	8,451,500	17,538,800	148,164,000	2004	5.9%	6.2%	5.5%
2005	8,588,000	17,740,400	148,843,000	2005	5.0%	5.4%	5.1%
2006	8,680,100	17,901,900	152,196,000	2006	4.5%	4.9%	4.6%
2007	8,778,700	18,188,100	153,124,000	2007	5.0%	5.4%	4.6%
2008	8,838,300	18,391,800	154,287,000	2008	7.2%	7.2%	5.8%
September 2009	8,760,600	18,383,100	154,006,000	September 2009	12.3%	12.2%	9.8%
Compounded Annual Growth Rate							
1998 - 2008	1.6%	1.5%	1.2%				



Note: September 2009 data for the Air Trade Area are not seasonally adjusted; 2009 seasonally adjusted employment data for the Air Trade Area will be released in 2010

Sources: State of California Employment Development Department, Labor Market Information; U.S. Dept. of Labor, Bureau of Labor Statistics, October 2009.

Prepared by: Partners for Economic Solutions, October 2009

Table I-11
Major Private Sector Employers in the Air Trade Area

Company Name	Industry	Location(s)
ABM Industries	Facility Services	Commerce
Allergan	Pharmaceuticals	Irvine
Amgen	Biotechnology	Thousand Oaks
AT&T Inc.	Telecommunications	Cerritos, Los Angeles, Anaheim
Bank of America	Financial Services	Brea, Los Angeles
Baxter Healthcare	Medical Devices	Westlake Village
Boeing	Aerospace	El Segundo, Huntington Beach, Seal Beach, Long Beach
CVS Caremark	Health Care	La Habra
Edison International	Utility	Rosemead
Fedex Corp.	Delivery Services	Los Angeles
First American Corp.	Title Insurance	Santa Ana
Fluor	Engineering Services	Aliso Viejo
Kaiser Permanente	Health Care	Anaheim, Panorama City, Pasadena, Fontana
Kroger	Grocery Retailer	Compton, Santa Ana
Lockheed Martin	Defense Systems	Palmdale
Northrop Grumman	Defense Systems	Los Angeles
Stater Bros. Holdings Inc.	Grocery Retailer	Colton
Target	Retailer	Los Angeles, Santa Ana, Fontana
The Home Depot	Retailer	Orange
The Irvine Company	Real Estate Development	Newport Beach
United Health Group	Health Care	Irvine
United Parcel Service	Delivery Services	Los Angeles
Verizon Communications Inc.	Telecommunications	Long Beach, Huntington Beach, Pomona
Vons	Grocery Retailer	Arcadia
Walmart	Retailer	San Bernardino
Walt Disney	Entertainment	Burbank, Anaheim
Wells Fargo	Financial Services	Los Angeles, Irvine
Yum Brands	Restaurants	Irvine

Sources: *The Lists 2009*, January 2009, Los Angeles Business Journal; *2009 Book of Lists*, January 2009, Orange County Business Journal; Major Employers in Riverside County, San Bernardino County, Ventura County, Employment Development Department, State of California, September 2009.

Prepared by: Partners for Economic Solutions, September 2009

Table I-12

Major Private Sector Employers in Long Beach

Rank	Company Name	Industry
1	The Boeing Company	Aerospace
2	Long Beach Memorial Medical Center	Health Care
3	Verizon	Telecommunications
4	St. Mary Medical Center	Health Care
5	Direct TV, Inc.	Telecommunications
6	Pacific Hospital of Long Beach	Health Care
7	The Bragg Companies	Industrial Equipment
8	Gulfstream Aerospace	Aerospace
9	SCAN Health Plan	Health Care
10	Epson America Inc.	Technology
11	Target Stores	Retail
12	TABC Inc.	Auto Parts Manufacturing
13	Denso Sales California Inc.	Auto Parts Distribution
14	Farmers & Merchants Bank	Finance
15	Robertshaw Controls Company	Industrial Equipment

Source: Department of Community Development, City of Long Beach, September 2009.

Prepared by: Partners for Economic Solutions, September 2009

The Air Trade Area is headquarters for 19 companies on the list of Fortune 500 firms by annual revenue (see **Table I-13**). These companies operate throughout the U.S., Asia, Europe and other international locations and their activities extend to a network of more than 947 overseas offices, manufacturing plants, and other facilities.²² The reliance of these companies and their international suppliers, customers, and partners on face-to-face meetings and conferences, combined with their just-in-time inventory practices, suggests that the Air Trade Area will continue to be a significant source of demand for both business air travel and air freight shipments over the long term.

Two hundred fifty-five Air Trade Area companies have 3,692 branches, subsidiaries, or affiliates in foreign countries. In addition, 998 foreign firms have 1,882 branches, subsidiaries, or affiliates in the Air Trade Area.²³

1.4.3 Historical Employment Trends by Industry

An analysis of non-agricultural employment trends by major industry divisions, presented in **Table I-14**, indicates the sources of jobs in the local economy. In this table, employment trends in the Air Trade Area are compared to data for California and the U.S. in 2000 and 2008. Non-agricultural employment in the Air Trade Area increased from approximately 9.1 million workers in 2000 to more than 9.9 million workers in 2008. This increase represents a 1.1 percent compounded annual growth rate during this period. Measured by percentages, major industry divisions in the Air Trade Area in 2008 were largely consistent with those of California and the U.S. and indicate that the Air Trade Area has a diversified employment base that is expected to provide the region with a foundation for recovery following periodic downturns in the business cycle.

1.4.3.1 Construction

The construction industry employed more than 621,000 workers in the Air Trade Area in 2008, accounting for 6.2 percent of total non-agricultural employment. This percentage is lower than in California and the U.S. where construction jobs accounted for 7.6 percent and 7.7 percent respectively of non-agricultural employment in 2008.

Headquartered in Long Beach, The Bragg Companies is a major construction industry employer in the Air Trade Area and supplies heavy transport, structural steel assembly and crane rental service to general contractors throughout the region.

Development projects for public facilities are providing support to the construction industry in Long Beach and the Air Trade Area. Examples of current projects include:

- **Port of Long Beach \$750 Million Middle Harbor Redevelopment Project.** The \$750 million Middle Harbor Redevelopment Project has a 10-year build-out period and will expand and combine two existing container cargo terminals to create a 342-acre facility.²⁴
- **UCLA Life Sciences Building.** The 175,000 square-foot, \$122.9 million UCLA Life Sciences Building will be the new home of UCLA's Biological Sciences Department.²⁵

²² *Directory of American Firms Operating in Foreign Countries*, 20th edition, Uniworld Business Publications, Inc., 2009.

²³ *Directory of American Firms Operating in Foreign Countries*, 20th edition, Uniworld Business Publications, Inc., 2009; *Directory of Foreign Firms Operating in the United States*, 14th edition, Uniworld Business Publications, Inc., 2008.

²⁴ Middle Harbor Redevelopment Project Fact Sheet, www.polb.com, accessed February 23, 2009.

Table I-13

Fortune 500 Headquarters Located in the Air Trade Area

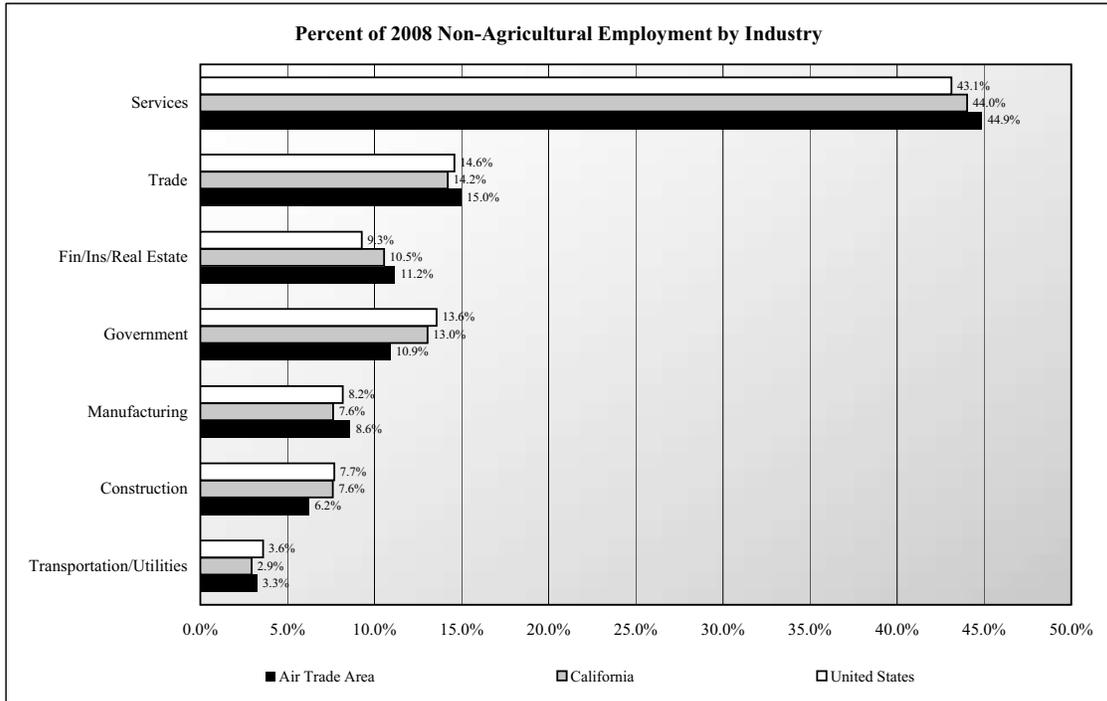
Company	Industry	Headquarters	Revenue (\$ million)	Fortune 500 Rank
Walt Disney	Entertainment	Burbank	37,843	60
Ingram Micro	Technology	Santa Ana	34,362	67
Northrop Grumman	Aerospace	Los Angeles	33,940	69
Occidental Petroleum	Energy	Los Angeles	24,480	98
DIRECTV Group	Telecommunications	El Segundo	19,693	126
Health Net	Health Care	Woodland Hills	15,366	165
Amgen	Biotechnology	Thousand Oaks	15,003	168
Edison International	Utility	Rosemead	14,112	184
Jacobs Engineering Group	Engineering	Pasadena	11,252	241
Reliance Steel & Alum.	Steel	Los Angeles	8,718	298
Western Digital	Technology	Lake Forest	8,074	319
Dole Food	Food Processing	Westlake Village	7,732	329
Avery Dennison	Paper Products	Pasadena	6,710	376
First American Corp.	Financial Services	Santa Ana	6,213	398
Mattel	Toy Manufacturing	El Segundo	5,918	415
DaVita	Health Care	El Segundo	5,660	433
AECOM Technology	Engineering	Los Angeles	5,216	458
CB Richard Ellis Group	Real Estate Services	Los Angeles	5,130	464
Broadcom	Technology	Irvine	4,658	495
Total Revenue			270,080	

Source: *Fortune*, May 4, 2009.

Prepared by: Partners for Economic Solutions, September 2009

Table I-14
Employment Trends by Major Industry Division (2000-2008)

Industry ^{1/}	Air Trade Area			California			United States		
	2000	2008	CAGR	2000	2008	CAGR	2000	2008	CAGR
Services	4,037,659	4,472,424	1.3%	8,400,863	9,141,680	1.1%	67,029,090	77,524,202	1.8%
Trade	1,340,076	1,492,213	1.4%	2,729,592	2,951,244	1.0%	24,856,334	26,220,042	0.7%
Manufacturing	1,055,997	856,403	-2.6%	1,972,529	1,581,564	-2.7%	17,856,195	14,701,709	-2.4%
Government	1,031,635	1,086,252	0.6%	2,560,477	2,709,812	0.7%	22,944,000	24,381,336	0.8%
Fin/Ins/Real Estate	808,683	1,114,283	4.1%	1,654,722	2,190,495	3.6%	13,110,589	16,650,533	3.0%
Transportation/Utilities	323,915	325,303	0.1%	636,173	612,408	-0.5%	6,136,759	6,476,447	0.7%
Construction ^{2/}	504,120	621,118	2.6%	1,341,730	1,578,974	2.1%	11,712,702	13,821,384	2.1%
Total	9,102,085	9,967,996	1.1%	19,296,086	20,766,177	0.9%	163,645,669	179,775,653	1.2%



Notes:
 1/ Non-agricultural employment only; average annual employment data presented
 2/ Includes mining and forestry employment.
 CAGR = Compounded Annual Growth Rate

Source: Woods & Poole Economics Inc., November 2008.
 Prepared by: Partners for Economic Solutions, September 2009

- **California State University Long Beach Research and Science Building.** This \$86.8 million, 160,000 square-foot building will provide facilities for the university's biology, physics, sciences, chemistry and geology departments.²⁶
- **Mission Hospital Critical Care Facility.** This \$67 million four-level tower will provide Mission Viejo and surrounding Orange County communities with advanced high-tech diagnostic and critical care services.²⁷
- **The Broad CIRM Center at the University of Southern California.** This \$65 million, 93,000 square-foot facility at USC's Health Sciences Campus is the first stem cell research facility to break ground with funding from the California Institute for Regenerative Medicine (CIRM).²⁸

1.4.3.2 Manufacturing

With 856,400 manufacturing workers, the Air Trade Area has the highest number of jobs in this industry compared to any other region in the U.S.²⁹ The diversity of the Air Trade Area's economy extends to the manufacturing sector where businesses range from aerospace and defense contractors to computer equipment, electronics, pharmaceuticals, medical devices, and many other types of specialized products. In 2008, manufacturing jobs made up 8.6 percent of non-agricultural employment in the region. This is higher than manufacturing employment in California (7.6 percent) and the U.S. (8.2 percent).

In Long Beach, major employers in the manufacturing industry include: Boeing; Gulfstream Aerospace; TABC Inc. (Toyota's first manufacturing plant in North America); Epson America; and Robertshaw Controls.

1.4.3.3 Trade

Approximately 1.5 million workers were employed in wholesale and retail trade in the Air Trade Area in 2008, accounting for approximately 15.0 percent of non-agricultural employment. In California and the U.S., trade jobs accounted for approximately 14.2 percent and approximately 14.6 percent, respectively, of non-agricultural employment in 2008.

The economic fortunes of the Air Trade Area have become progressively more linked to the global economy and rely heavily on air passenger and air cargo service to move people and goods. In 2008, total trade activity (both imports and exports) between the Los Angeles Customs District and the rest of the world was valued at \$431.9 billion (See **Table I-15**). Businesses in the Los Angeles region have taken advantage of markets in the U.S. and internationally and have expanded their operations.

²⁵ 2008 Top Projects in California, www.california.construction.com, accessed February 20, 2009.

²⁶ "Hunt Breaks Ground on California State University, Long Beach Hall of Science," Press Room, Hunt Construction Group, www.huntconstructiongroup.com, accessed February 20, 2009.

²⁷ Portfolio, www.rbbinc.com, accessed February 20, 2009.

²⁸ School of Medicine/USC Dean's Report, December 2008.

²⁹ Woods & Poole Economics, Inc., *2008 Complete Economic and Demographic Data*.

Table I-15

2008 Total Trade by Conveyance (\$ Billions)

Customs District	Value of Total Trade ^{1/}	Value of Total Trade by Air	Percent of Total Trade by Air
Los Angeles	431.9	78.7	18.2%
California	601.1	132.7	22.1%
United States	3,400.3	805.6	23.7%

Note:

1/ Total trade = total imports and exports

Data for California is an aggregation of the Los Angeles, San Diego, and San Francisco

Source: U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division, February 2009

Prepared by: Partners for Economic Solutions, September 2009

Many of the Air Trade Area's top companies depend on plants and suppliers in the U.S. and offshore for manufacturing and assembly as well as raw materials. This expanding business activity generates demand for both air travel and air freight services. In 2008, more than 46,200 tons of air cargo goods were shipped through LGB.³⁰

1.4.3.4 Transportation and Public Utilities

A recent economic impact analysis found that the the Long Beach Airport Area Complex³¹ contributes 16,000 direct jobs to the Air Trade Area economy. These jobs generated \$1 billion in payroll compensation and \$4.1 billion in the sale of goods and services.³²

Approximately 325,000 workers were employed in the transportation and public utilities industries in the Air Trade Area in 2008. Employment in these two industries in 2008 accounted for 3.3 percent of non-agricultural employment in the Air Trade Area. Transportation and public utilities jobs made up 2.9 percent of non-agricultural employment in California and 3.6 percent of non-agricultural U.S. employment in 2008.

With specialized terminals for petroleum, automobiles, cement, lumber, steel and other products, the Port of Long Beach ranks among the world's busiest port complexes. Cargo valued at more than \$100 billion moves through the Port annually, making it the second-busiest seaport in the U.S. In terms of economic impact, the Port supports more than 30,000 jobs in Long Beach, 316,000 jobs in Southern California and 1.4 million jobs throughout the United States. It also generates approximately \$16 billion in annual trade-related wages statewide.³³ The Port's \$750 million Middle Harbor Redevelopment project (see Section 1.5.4.1) will expand and upgrade two existing container cargo terminals to create a larger, more efficient and environmentally sustainable facility.³⁴ Long Beach's cruise terminal facilities (see Section 1.6.4) offer easy access to nearby tourist attractions such as The Aquarium of the Pacific, Shoreline Village, and Rainbow Harbor. The facilities feature a 1,110-foot long, 28-foot-deep berth capable of accommodating the newest class of large-scale cruise liners.³⁵

1.4.3.5 Finance, Insurance, and Real Estate

The finance, insurance, and real estate industries (FIRE) employed more than 1.1 million workers in the Air Trade Area in 2008. In 2008, FIRE employment accounted for 11.2 percent of total non-agricultural employment in the Air Trade Area versus 10.5 percent in California and 9.3 percent in the U.S.

³⁰ Long Beach Airport End of Year Report, December 2008, <http://www.longbeach.gov/airport/statistics/monthly.asp>, accessed June 1, 2009.

³¹ The Long Beach Airport Area Complex is defined as the 2,035-acre area north of Interstate 405, south of Carson Street, and bordered by Clark Avenue and Cherry Avenue.

³² *The Long Beach Area Airport Complex: An Economic Impact Analysis*, Office of Economic Research, California State University Long Beach.

³³ About the Port, www.polb.com, accessed Feb 23, 2009.

³⁴ Middle Harbor Redevelopment Project Fact Sheet, www.polb.com, accessed February 23, 2009.

³⁵ "Carnival's New Long Beach Cruise Terminal Is Now Open," *Inland Empire Business Journal*, May 1 2003.

1.4.3.6 Government

Approximately 1.1 million workers were employed in government in the Air Trade Area in 2008, representing 10.9 percent of non-agricultural employment. The Air Trade Area's share of government employment was lower than that of California and the U.S. where government jobs made up 13.0 percent, and 13.6 percent of non-agricultural employment in 2008, respectively.

1.4.3.7 Services

Approximately 4.5 million workers were employed in the services industry in the Los Angeles CSA in 2008, accounting for 44.9 percent of non-agricultural employment in the region — higher than both California and the U.S., where services accounted for 44.0 percent and 43.1 percent of non-agricultural employment, respectively. The services industry is the largest job sector in the Air Trade Area and employs workers in a wide range of subsectors that vary greatly in size. In 2008, 24 percent of the Air Trade Area's service workers were employed in leisure and hospitality, 21 percent were employed in health care and 16 percent were employed in administration and support services. Other service sector categories include: professional, scientific and technical services (14 percent of service workers); information technology (eight percent); education (five percent); management of enterprises (three percent); and other services (eight percent).³⁶

Tourism in both Long Beach and the entire Air Trade Area provides a significant source of demand for air travel and employs many workers in the leisure and hospitality subsector. An analysis of Long Beach and Air Trade Area attractions and visitor data is provided below.

1.5 Long Beach Tourism Industry

The tourism industry in Long Beach is a high priority for the local business community, civic organizations and City government. Established in 1982, the Long Beach Area Convention & Visitors Bureau (CVB) works with businesses, community groups and elected officials to market and promote the City as a destination for conventions, meetings, tradeshow and tourism. Working with the CVB, the City's political leadership is actively engaged in recruiting national conventions, encouraging tourism and raising Long Beach's visibility. The City's Mayor has frequent speaking engagements with convention and meeting industry executives to promote Long Beach and to underscore the City's commitment to tourism and its efforts to support the hospitality industry. The City attracts an estimated 5.5 million tourists, convention attendees and business travelers annually who generate \$780 million in direct spending and \$1.6 billion in economic impact.³⁷

The CVB itself has won major industry awards. For the fifth year in a row, the CVB received the 2008 Pinnacle Award from *Successful Meetings Magazine* in recognition of its meeting planning services. It also was recognized by *Meetings & Conventions (M&C) Magazine* with a Gold Service Award that honors CVBs that have excelled in professionalism and dedication in their service to

³⁶ 2009-2010 Mid-Year Update: Economic Forecast and Industry Outlook, The Kyser Center for Economic Research, Los Angeles County Economic Development Corporation, July 2009.

³⁷ Fact Sheet, Long Beach Convention & Visitors Bureau, www.longbeachcvb.org, accessed January 18, 2009.

meeting professionals. The CVB has also been permanently inducted into *M&C's* Elite Hall of Fame, an honor reserved for visitor bureaus that have achieved twelve consecutive Gold Service Awards. In addition, the *Association Conventions and Facilities* magazine has granted the CVB a 2008 Distinctive Achievement Award.³⁸ Other major awards are shown in **Table I-16**.

Long Beach's tourism industry is well diversified beyond the convention business and the City attracts a large number of visitors for corporate meetings, special events, cruise ship vacations and sporting events.

1.5.1 Conventions and Corporate Meetings

The Long Beach Convention & Entertainment Center is a multi-purpose complex that overlooks the City's waterfront with 224,000 sq. ft. of exhibit space, 34 meeting rooms (total 83,000 sq. ft.), a 20,456 sq. ft. ballroom, a 3,051-seat theater and a 13,500-seat arena that can accommodate events ranging from concerts to ice hockey. The Center features a glass concourse and lobby with harbor and ocean views and it offers visitors proximity to the Aquarium of the Pacific, the historic Queen Mary, retail/restaurant/entertainment venues at Shoreline Village, and a variety of dining and entertainment options in Downtown Long Beach.³⁹ The Pike at Queensway Bay is located directly across the street from the Convention Center and features shops, restaurants, a movie theater and a boutique hotel.

Long Beach has recently been selected as the new home for the internationally renowned TED Conference (technology, entertainment, design), founded by Richard Saul Wurman. TED, which had been held in Monterey, CA every year since 1984, will celebrate its 25th anniversary in 2009 and will move permanently from Monterey to the Long Beach Convention & Entertainment Center. TED sells out one year in advance to over 1,300 invitation-only attendees. The four day conference brings together speakers such as Bill Gates, Bono, Al Gore, Nicholas Negroponte, Tim Berners-Lee, and Frank Gehry to discuss science, business, the arts and global issues.⁴⁰

1.5.2 Attractions and Special Events

Long Beach (originally known as "Wilmore City") was renamed in 1888 in recognition of its wide and sandy beach that has been a popular recreation area since the mid-19th century. Today the City's beach shoreline features a paved pedestrian/bicycle path that gives bicyclists, walkers, joggers and rollerbladers access to the length of the beachfront from downtown to the City's Alamitos Bay area. Attractions and special events in Long Beach include:

³⁸ "Long Beach Convention & Visitors Bureau Wins Three Major Industry Awards," August 11, 2008, Press, www.longbeachcvb.org, accessed January 18, 2009.

³⁹ Long Beach Facts, <http://www.ci.long-beach.ca.us/about/facts.asp>, accessed December 9, 2008; <http://www.longbeachcc.com/>, accessed February 2, 2009.

⁴⁰ Our New Home In Long Beach, TED2009, <http://conferences.ted.com/TED2009/program/>, accessed February 3, 2009.

Table I-16

Travel Awards

	Travel Industry Awards
Long Beach Area Convention & Visitors Bureau	2008 Inducted into the Elite Hall of Fame — <i>Meetings & Conventions Magazine</i> (13th consecutive win) 1996-2007 Annual Gold Service Award Winner — <i>Meetings & Conventions Magazine</i> 2008 Distinctive Achievement Award — <i>Association Conventions and Facilities</i> 2007 Award of Excellence — <i>Corporate & Incentive Travel Magazine</i> 2004, 2005, 2006, 2007, 2008 Pinnacle Award — <i>Successful Meetings Magazine</i> 2003, 2004, 2005, 2006 Planner's Choice Award — <i>Meeting News Magazine</i>
Aquarium of the Pacific	2007 Top Ten Best Aquariums for the Family — <i>Parents Magazine</i>
Museum of Latin American Art	2007 Top Reasons to See L.A. — <i>Conde Nast Traveler</i>
Long Beach Cruise Terminal	2007 Best U.S. Cruise Ship Homeport — <i>Porthole Cruise Magazine</i>
City of Long Beach	2007 Top 10 Best Weekend Family Trips — <i>Nick Jr. Magazine</i> 2006 Top 5 Best Shopping Destinations in the U.S. — <i>The View</i> (ABC Television) 2007 Best Municipal Park, Recreation & Marine Department — National Parks & Recreation Association 2007 California's Best Big City Downtowns (#3) — California Planning & Development Report

Source: Long Beach Area Convention & Visitors Bureau, September 2009

Prepared by: Partners for Economic Solutions, September 2009

- **Queen Mary.** The *Queen Mary*, a former Cunard trans-Atlantic liner and World War II troop transport ship, is permanently docked in Long Beach and has been the harbor's historic centerpiece since 1967. With a 360-room hotel made up of first class staterooms, 40,000 sq. ft. of meeting space and 45,000 sq. ft. of exhibition space, the *Queen Mary* offers a variety of hospitality and entertainment options.⁴¹
- **Aquarium of the Pacific.** Hosting 1.4 million annual visitors, the 160,000 sq. ft. Aquarium of the Pacific is a pre-eminent educational and research facility located on five acres overlooking Long Beach Harbor. It has been named number six in the Top Ten Best Aquariums by *Parents* magazine in 2007.⁴²
- **Long Beach Museum of Art.** The 12,800-square foot Long Beach Museum of Art is sited on a cliff overlooking the Pacific Ocean. Its permanent collection includes works of early twentieth-century European art, California modernism, contemporary ceramics and American decorative arts including 18th and 19th century furniture.⁴³
- **Museum of Latin American Art.** Established in Long Beach in 1996, the Museum of Latin American Art (MOLAA) is the only museum in the western United States that exclusively features works of contemporary Latin American art from artists who have lived and worked in Latin America since World War II. MOLAA is an affiliate of the Smithsonian Institution and is located in the newly developing East Village Arts District of Long Beach. A \$10 million expansion in 2007 doubled MOLAA's size to 55,000 sq. ft.⁴⁴
- **Grand Prix of Long Beach.** The annual Grand Prix of Long Beach is a nationally-televised auto race that has been held on the City's streets since 1976. The Grand Prix's challenging 1.97-mile circuit travels through the City's downtown and waterfront. The Grand Prix attracts 180,000 spectators over a three-day weekend, generates \$30 million in economic activity, and is the largest paid event in Southern California.⁴⁵

1.5.3 Cruise Ship Vacations

Cruise terminal facilities in Long Beach provide a point of embarkation/debarkation for cruise passengers throughout the year. Carnival Cruise Line's ships that are based in Long Beach operate three- and four-day cruises along Mexico's Baja peninsula, with stops at Catalina Island and Ensenada, as well as longer cruises to Cabo San Lucas, Mazatlan, Puerto Vallarta, the Panama Canal, Costa Rica, Colombia, Jamaica, Grand Cayman and Miami.⁴⁶ Long Beach's annual cruise ship traffic averages 330,000 passengers per year.

⁴¹ "Queen Mary Rings in the 2009 New Year With California Residents," Pressroom, www.queenmary.com, accessed February 2, 2009.

⁴² "Aquarium of the Pacific's 2009 Ongoing Exhibits and Activities," www.aquariumofpacific.org, accessed February 2, 2009.

⁴³ About the Long Beach Museum of Art, www.lbma.org, accessed February 2, 2009.

⁴⁴ "Celebrities Join Grand Opening Festivities For \$10 Million Expansion of the Museum of Latin American Art," May 21, 2007, Media Room, www.molaa.org, accessed February 2, 2009.

⁴⁵ Fact Sheet, Toyota Grand Prix of Long Beach, Grand Prix Association of Long Beach, www.gpalbevents.com, accessed February 23, 2009.

⁴⁶ Destinations, Ships, www.carnival.com, accessed June 16, 2009.

1.6 Air Trade Area Attractions

Beyond Long Beach, the Air Trade Area offers visitors a variety of entertainment attractions, cultural institutions, shopping districts, dining selections, recreational options and scenic parks and vistas. Famous entertainment venues include Disneyland, Universal Studios, Universal City Walk and Knott's Berry Farm. Other sightseeing destinations include the Hollywood Sign, the Hollywood Walk of Fame, Venice Beach boardwalk, and the Los Angeles Zoo.

Fine arts collections such as the Los Angeles County Museum of Art, the Norton Simon Museum, the Huntington Library, the Museum of Contemporary Art and the Getty Center afford visitors and residents access to a broad selection of painting, sculpture, decorative arts, and cultural objects from a wide assortment of civilizations and eras. Likewise, performing arts venues in the Air Trade Area, such as the Walt Disney Concert Hall, offer acclaimed companies including the Los Angeles Philharmonic, Los Angeles Opera and Los Angeles Master Chorale. Professional theater is thriving at venues such as the Pasadena Playhouse, Ahmanson Theatre, Geffen Playhouse, and the Mark Taper Forum. Multicultural performances also are available at the Bilingual Foundation of the Arts.

The Los Angeles region also offers travelers a scenic natural environment and visitors seeking recreation may visit the Angeles National Forest, Catalina Island, Lake Arrowhead, San Bernardino National Forest, and Santa Monica Mountains National Recreation Area.

1.7 Economic Outlook

The national recession, which began in December 2007, has been attributed to the interplay of three factors: a surge in liquidity caused by a period of unusually low interest rates; widespread excess leverage in the financial system; and an unprecedented rise in asset prices, particularly in residential real estate.⁴⁷ The recession has been characterized by steep declines in housing construction, consumer spending and business investment. In view of the consequent rise in the national unemployment rate and the contraction in gross domestic product, surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics (NABE) indicate consensus for a modest rebound in national real GDP growth by the end of 2009. However, both forecast panels believe that the unemployment rate will remain elevated into the first half of 2010, and that consumer spending will be restrained as savings-conscious households reduce debt.⁴⁸ The NABE forecast expects the economic recovery in 2010 to be moderate with annual GDP growth of 2.0 percent. The Blue Chip Economic Indicators forecast has a slightly more optimistic outlook of 2.4 percent growth in GDP in 2010.

Similar to forecasts from NABE and Blue Chip Economic Indicators, a recent report from the LAEDC projects that unemployment rates in both California and the Air Trade Area will remain elevated in 2010. LAEDC forecasts the majority of job losses in both California and the Air Trade Area will occur in the manufacturing, retail trade, construction, and finance/insurance/real estate

⁴⁷ "After the Panic, Innovation," *Fortune*, March 30, 2009.

⁴⁸ *NABE Outlook*, May 2009, National Association for Business Economics; *Blue Chip Economic Indicators*, Vol. 34, No. 9 September 10, 2009, Aspen Publishers.

industries.⁴⁹ As with the U.S. overall, growth in California and the Air Trade Area is expected to resume in 2010⁵⁰ as household spending stabilizes and businesses bring production capacity and inventory stocks into alignment with sales.

⁴⁹ *2009-2010 Mid-Year Update: Economic Forecast and Industry Outlook*, The Kyser Center for Economic Research, Los Angeles County Economic Development Corporation, July 2009.

⁵⁰ UCLA Anderson Forecast: National Recovery Linked to Global Solutions, http://uclaforecast.com/contents/archive/2009/media_32509_1.asp, accessed June 30, 2009.

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II. Air Traffic

This chapter describes historical and projected aviation activities at the Airport and discusses key factors affecting trends in these activities.

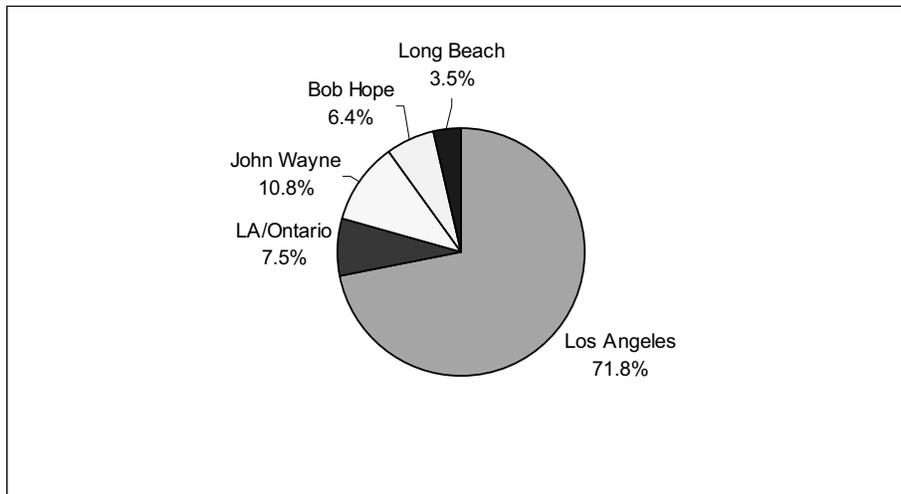
2.1 Regional Perspective

As discussed earlier in Chapter I and illustrated in Exhibit I-1, the Los Angeles region is served by five commercial service airports. 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.

Table II-1 presents historical shares of total enplaned passengers for the five airports serving the Los Angeles region between calendar year (CY) 1998 and CY 2008. As shown, passenger demand in the Los Angeles region is predominantly served through Los Angeles International Airport (LAX), particularly for international travel and nonstop travel to major medium and long-haul markets (e.g., New York, Chicago, Honolulu, and Washington, D.C.), as well as travel within the West Coast corridor. As also shown, the regional share of enplaned passengers for LAX decreased from 76.4 percent in CY 2001 to 70.8 percent in CY 2003 and then remained relatively stable thereafter. This decrease in share was primarily due to (1) United's elimination of its Shuttle by United service following the events of September 11, 2001; (2) JetBlue initiating nonstop service between the Airport, its second-designated hub airport, and John F. Kennedy International Airport in late August 2001 (as discussed in more detail below); and (3) John Wayne-Orange County Airport (SNA) increasing its passenger cap from 8.4 million annual passengers (MAP) to 10.3 MAP in December 2002. As a result, the Airport's share of domestic enplaned passengers increased from 0.7 percent in CY 2001 to 3.7 percent in CY 2003 (remaining relatively stable thereafter); and SNA's share increased from 9.1 percent to 11.0 percent during this same period. The exhibit below illustrates the CY 2008 shares of total enplaned passengers for the five principal airports serving the Los Angeles region.

Exhibit II-1

Los Angeles Region Airport Shares of Total Enplanements – CY 2008



Sources: Individual airports, June 2009
Prepared by: Ricondo & Associates, Inc., June 2009

Table II-1

Regional Airport Shares of Total Enplanements

Calendar Year	Long Beach (LGB) ^{1/}		Los Angeles (LAX)		LA/Ontario (ONT)		John Wayne (SNA)		Bob Hope (BUR)		Total
	Enplaned Passengers	Percentage of Total	Enplaned Passengers	Percentage of Total	Enplaned Passengers	Percentage of Total	Enplaned Passengers	Percentage of Total	Enplaned Passengers	Percentage of Total	Enplaned Passengers
1997	307,946	0.8%	30,313,688	75.8%	3,153,825	7.9%	3,841,848	9.6%	2,350,362	5.9%	39,967,669
1998	323,357	0.8%	30,826,859	76.2%	3,212,487	7.9%	3,715,780	9.2%	2,362,692	5.8%	40,441,175
1999	434,601	1.0%	32,298,944	76.7%	3,268,661	7.8%	3,738,519	8.9%	2,358,724	5.6%	42,099,449
2000	312,713	0.7%	33,836,077	77.3%	3,360,634	7.7%	3,894,993	8.9%	2,367,835	5.4%	43,772,252
2001	287,245	0.7%	31,007,930	76.4%	3,354,350	8.3%	3,672,827	9.1%	2,248,654	5.5%	40,571,006
2002	731,279	1.9%	28,181,481	73.3%	3,259,866	8.5%	3,957,565	10.3%	2,312,611	6.0%	38,442,802
2003	1,445,547	3.7%	27,544,606	70.8%	3,285,577	8.4%	4,274,960	11.0%	2,369,729	6.1%	38,920,419
2004	1,470,620	3.5%	30,210,609	71.0%	3,473,284	8.2%	4,902,263	11.5%	2,464,441	5.8%	42,521,217
2005	1,523,812	3.5%	30,587,592	70.6%	3,611,978	8.3%	4,821,459	11.1%	2,759,984	6.4%	43,304,825
2006	1,385,260	3.4%	28,575,611	69.8%	3,342,627	8.2%	4,814,108	11.8%	2,843,281	6.9%	40,960,887
2007	1,458,128	3.3%	30,980,025	70.4%	3,607,184	8.2%	4,989,018	11.3%	2,960,294	6.7%	43,994,649
2008	1,457,209	3.5%	29,930,985	71.8%	3,112,112	7.5%	4,492,626	10.8%	2,664,875	6.4%	41,657,807
Compounded Annual Growth Rate											
1998 - 2000	(1.7%)		4.8%		2.3%		2.4%		0.1%		4.0%
2000 - 2001	(8.1%)		(8.4%)		(0.2%)		(5.7%)		(5.0%)		(7.3%)
2001 - 2002	154.6%		(9.1%)		(2.8%)		7.8%		2.8%		(5.2%)
2002 - 2008	12.2%		1.0%		(0.8%)		2.1%		2.4%		1.3%
1998 - 2008	16.2%		(0.3%)		(0.3%)		1.9%		1.2%		0.3%

Note:

1/ In late August 2001, JetBlue initiated two daily nonstop flights between John F. Kennedy International Airport and Long Beach Airport, its second-designated hub airport, resulting in significant increases in passenger activity between 2001 and 2003.

Sources: Airports Council International (1996 - 2006); Individual airport websites (2007 and 2008)
Prepared by: Ricondo & Associates, Inc., June 2009.

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Table II-2 presents average domestic one-way fares for the five principal airports in the Los Angeles region for FY 2008. As shown, the Airport's average one-way fares are consistently lower than the other four airports when comparing short, medium, and long-haul markets. These differences increase as the stage lengths increase due to (1) the preponderance of short-haul markets served by JetBlue at the Airport providing competitive pressure on the airlines serving the other airports to match fares and (2) the relatively low number of long-haul markets served from the Airport by JetBlue eases this competitive pressure on the longer-haul markets served by the airlines at the other airports (especially at LAX, which primarily serves the medium and long-haul demand in the Los Angeles region).

Table II-3 presents the historical shares of West Coast corridor O&D passengers for the five principal commercial service airports serving the Los Angeles region. As shown, the Airport's share among the five airports has steadily increased since FY 2002, the first full year of service for JetBlue at the Airport. As also shown, LAX's share of West Coast corridor O&D passengers decreased by 6.7 percent between FY 1998 and FY 2008, while the Airport's share increased 5.9 percent during this same period. LAX's relatively high share of West Coast corridor O&D passengers between FY 1997 and FY 2001 was primarily due to the stimulation of demand by Shuttle by United service in competition with Southwest. Following United's elimination of the Shuttle by United service, demand for travel in the West Coast corridor returned to more normal levels at LAX. BUR's, ONT's, and SNA's shares of West Coast corridor O&D passengers were relatively stable between FY 1998 and FY 2008.

2.2 Airlines Serving the Airport

Table II-4 presents the airlines serving the Airport as of October 2009. As shown, the Airport is served by four passenger air carriers that are defined by the U.S. Department of Transportation (DOT) as "major" U.S. airlines: Alaska, JetBlue, Mesa (d/b/a/ US Airways Express), and SkyWest (d/b/a/ Delta Connection); and by one airline defined as a "national" U.S. airline: Horizon Air.¹ In addition, the Airport is served by two all-cargo carriers: FedEx and United Parcel Service (UPS). Prior to December 2008, ABX Air had also provided scheduled all-cargo service at the Airport on behalf of DHL. However, ABX Air's contract with DHL terminated in December 2008 and as a result, ABX discontinued service at the Airport and relinquished its allocated commercial flight slot. This slot was formally allocated to JetBlue in March 2009, increasing this carrier's number of slots to 29.

Table II-5 presents the historical passenger air carrier base at the Airport since FY 2000. Specific points concerning the Airport's historical air carrier base are discussed below:

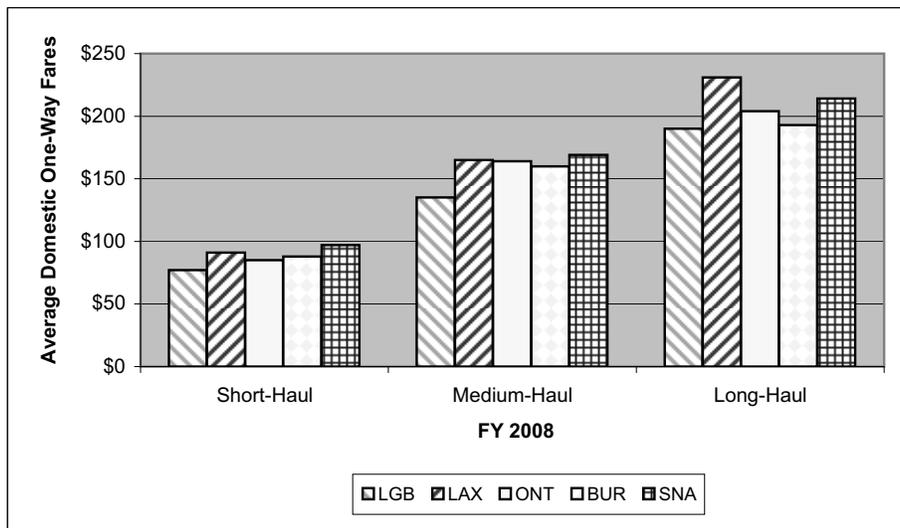
- Between FY 2000 and FY 2001, American and America West were the Airport's primary air service providers. American provided daily nonstop service to its Dallas/Fort Worth hub from the Airport, while America West provided daily nonstop service to its Phoenix hub.
- Following FY 2001, the Airport experienced a transition in its air carrier base when low-cost carrier JetBlue expanded its west coast operations by establishing a secondary hub (or focus city) at the Airport. In late FY 2001 (August 2001), JetBlue initiated its low-fare service from the Airport to its initial focus city, New York, by establishing service at John F. Kennedy International Airport (JFK). Since then, JetBlue significantly increased air

¹ As defined by the U.S. DOT, major U.S. airlines represent the largest group of U.S. airlines in terms of their total revenues (more than \$1 billion in gross operating revenues during any calendar year). National U.S. airlines have annual total revenues between \$100 million and \$1 billion.

Table II-2

Average Domestic One-Way Fares for Airports in the Los Angeles Region - FY 2008

Airport	Short-Haul Markets ^{1/}	Medium-Haul Markets ^{1/}	Long-Haul Markets ^{1/}
Long Beach (LGB)	\$77	\$135	\$190
Los Angeles (LAX)	\$91	\$165	\$231
LA/Ontario (ONT)	\$85	\$164	\$204
Bob Hope (BUR)	\$88	\$160	\$193
John Wayne (SNA)	\$97	\$169	\$214



Note:

- 1/ (SH) Short Haul = 1 to 600 miles
- (MH) Medium Haul = 601 to 1,800 miles
- (LH) Long Haul = over 1,800 miles

Sources: US DOT Origin & Destination Survey of Airline Passenger Traffic, accessed May 12, 2009.
Prepared by: Ricondo & Associates, Inc., May 12, 2009.

Table II-3

Airport Shares of West Coast Corridor O&D Passengers

Fiscal Year ^{1/}	Long Beach (LGB)		Los Angeles (LAX)		LA/Ontario (ONT)		Bob Hope (BUR)		John Wayne (SNA)		Total O&D Passengers
	O&D Passengers ^{2/}	Percentage of Total	O&D Passengers ^{3/}	Percentage of Total	O&D Passengers ^{4/}	Percentage of Total	O&D Passengers ^{5/}	Percentage of Total	O&D Passengers ^{6/}	Percentage of Total	
1998	1,000	0.0%	6,915,310	46.4%	2,243,420	15.1%	2,810,110	18.9%	2,933,750	19.7%	14,903,590
1999	1,180	0.0%	7,095,510	47.0%	2,293,860	15.2%	2,833,510	18.8%	2,869,560	19.0%	15,093,620
2000	2,190	0.0%	6,938,210	45.9%	2,302,220	15.2%	2,788,760	18.5%	3,081,650	20.4%	15,113,030
2001	1,830	0.0%	6,333,120	44.3%	2,381,220	16.7%	2,668,330	18.7%	2,910,340	20.4%	14,294,840
2002	38,800	0.3%	4,832,340	39.5%	2,178,350	17.8%	2,490,210	20.3%	2,700,830	22.1%	12,240,530
2003	561,490	4.4%	4,743,000	37.3%	2,140,770	16.8%	2,486,150	19.6%	2,774,240	21.8%	12,705,650
2004	578,740	4.5%	4,819,110	37.4%	2,120,100	16.5%	2,491,380	19.3%	2,868,070	22.3%	12,877,400
2005	635,710	4.7%	5,081,500	37.5%	2,213,730	16.3%	2,602,920	19.2%	3,016,340	22.3%	13,550,200
2006	703,240	5.3%	4,842,770	36.4%	2,240,580	16.8%	2,556,770	19.2%	2,965,350	22.3%	13,308,710
2007	802,780	5.6%	5,220,630	36.1%	2,287,800	15.8%	2,960,640	20.5%	3,181,730	22.0%	14,453,580
2008	829,460	5.9%	5,539,560	39.7%	2,176,860	15.6%	2,546,280	18.2%	2,860,310	20.5%	13,952,470
Change in Share											
1998 - 2008		5.9%		(6.7%)		0.5%		(0.6%)		0.8%	
2004 - 2008		1.5%		2.3%		(0.9%)		(1.1%)		(1.8%)	

Notes:

- 1/ Fiscal year ends September 30.
- 2/ Traffic LGB to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.
- 3/ Traffic LAX to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.
- 4/ Traffic ONT to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.
- 5/ Traffic BUR to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.
- 6/ Traffic SNA to/from Oakland International, Portland International, Seattle International, San Francisco International, Norman Y. Mineta San Jose International, and Sacramento International airports.

Source: US DOT Origin & Destination Survey of Airline Passenger Traffic, accessed May 12, 2009.

Prepared by: Ricondo & Associates, Inc., May 13, 2009.

Table II-4

Airlines Serving the Airport ^{1/}

Passenger Airlines (5)

Doing Business As:

Alaska Airlines ^{2/}

Horizon Air

JetBlue Airways

Mesa Airlines

US Airways Express

SkyWest Airlines

Delta Connection

All-Cargo Carriers (2) ^{3/}

FedEx

United Parcel Service

Notes:

1/ As of October 2009.

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

3/ ABX Air ceased operations after its contract with
DHL terminated on December 5, 2008.

Source: City of Long Beach, October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

Table II-5

Air Carrier Base											
Air Carrier	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010 ^{1/}
JetBlue		•	•	•	•	•	•	•	•	•	•
Mesa			•	•	•	•	•	•	•	•	•
Alaska ^{2/}					•	•	•	•	•	•	•
SkyWest							•	•	•	•	•
Horizon Air				•	•					•	•
Air Carriers No Longer Serving the Airport											
ExpressJet ^{3/}									•		
America West	•	•	•	•	•	•	•	•			
American	•	•	•	•	•	•	•				
Freedom				•	•						
Allegiant Air	•	•			•						
WinAir											
Number of Airlines	3	4	4	6	7	5	6	5	5	5	5

Notes:

1/ As of October 2009.

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

3/ Discontinued its branded service nationwide on September 2, 2008. ExpressJet currently operates as code-share Continental Express at other facilities.

Source: Official Airline Guide, Inc., November 2009.

Prepared by: Ricondo & Associates, Inc., November 2009.

traffic to and from the Airport and has established the Airport as an alternative for nonstop flights from the Los Angeles basin to major east coast cities. Currently, JetBlue is the largest air carrier at the Airport, both in terms of enplaned passengers and operations.

- **Table II-6** presents the daily nonstop service by JetBlue from the Airport since FY 2001. As shown, JetBlue has steadily expanded its activity at the Airport since its initial activity in FY 2001 and, as of September 2009, provides nonstop service to 14 cities with a total of 29 daily flights. The expansion by JetBlue has helped promote competitive pricing and schedule diversity, not only at the Airport but throughout the entire Los Angeles area. However, the carrier has utilized most of its capacity at the Airport due to noise ordinance restrictions and has had to rework flight schedules and direct future growth to other Los Angeles area airports. A detailed description of the noise ordinance restrictions currently in place at the Airport is provided in Section 2.5.1.
- Mesa, which has provided service at the Airport since FY 2002, provides nonstop service to US Airways' Phoenix hub with four daily flights. Alaska has provided service at the Airport since FY 2004 and currently provides three daily flights to its Seattle hub and one daily flight to Portland, Oregon. Horizon Air, Alaska's sister carrier and regional affiliate, initiated service at the Airport on May 17, 2009, replacing one daily flight to Portland and to Seattle that were previously served by Alaska. SkyWest, operating at the Airport since FY 2006, provides nonstop service to Delta's Salt Lake City hub with five daily flights.
- The Airport is not served by any foreign flag carriers nor is it provided international service as the Airport does not have the necessary U.S. Customs & Immigration facilities to support international air service.

2.3 Historical Passenger Activity

This section presents historical trends in enplaned passengers at the Airport and the major factors influencing these trends, as well as historical market shares of enplanements by airline.

2.3.1 Enplaned Passengers

The Airport is classified by the Federal Aviation Administration (FAA) as a small hub facility based on its percentage of nationwide enplanements;² and is ranked 75th nationwide in CY 2008 with 2.9 million enplaned and deplaned passengers.³ **Table II-7** presents historical enplanements for the Airport and the nation. As shown, passenger activity at the Airport increased from 303,979 enplanements in FY 1998 to 1,466,884 in FY 2009. This increase represents a compounded annual growth rate of 15.4 percent during this period, compared to 0.5 percent for the nation. As also shown, the Airport's share of total U.S. enplaned passengers increased from 0.051 percent in FY 1998 to 0.234 percent in FY 2009, reflective of the higher compounded annual growth rate experienced at the Airport compared to the nation during this period. Specific details concerning enplaned passengers at the Airport between FY 1998 and FY 2009 are discussed below:

- **FY 1998 – FY 2001.** Passenger activity at the Airport decreased from 303,979 enplanements in FY 1998 to 280,528 in FY 2001 (a compounded annual decrease of 2.6 percent during this period compared to a compounded annual increase of 2.0 percent nationwide). The 51.8

² As defined by the FAA, a small hub airport enplanes between 0.05 percent and 0.249 percent of nationwide passengers during a calendar year. Specifically, this classification equates to a range of 381,199 to 1,898,369 enplaned passengers in 2007, the latest calendar year available for determining airport hub size.

³ *ACI Traffic Data 2008*, Airports Council International.

Table II-6

Daily Nonstop Service by JetBlue

	FYE 2001	FYE 2002	FYE 2003	FYE 2004	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009
New York (JFK)	2	4	7	6	8	5	6	4	3
Oakland		7	6	5	5	5	5	5	3
Washington (IAD)		2	3	4	4	3	3	2	2
Fort Lauderdale			2	1	1	1	1	1	1
Las Vegas			2	2	3	2	3	2	2
Salt Lake City			1	1	1	2	2	2	2
Boston				2	2	2	2	2	2
Sacramento						3	2	2	2
Chicago							2	1	1
Austin								1	1
San Jose								3	3
Seattle								2	2
Portland, OR									2
San Francisco									3
Total	2	13	21	21	24	23	26	27	29

Notes:

FYE = Fiscal Year Ending September 30.

Source: Official Airline Guide, Inc., September 2009.

Prepared by: Ricondo & Associates, Inc., September 2009.

Table II-7

Historical Enplanements

Fiscal Year	Airport Enplanements ^{1/}	Airport Growth	U.S. Domestic Enplanements ^{1/}	U.S. Growth	Market Share
1998	303,979	-	590,400,000	-	0.051%
1999	461,411	51.8%	610,900,000	3.5%	0.076%
2000	318,560	(31.0%)	641,200,000	5.0%	0.050%
2001	280,528	(11.9%)	625,800,000	(2.4%)	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	(7.1%)	668,400,000	(0.2%)	0.211%
2007	1,446,140	2.4%	690,100,000	3.2%	0.210%
2008	1,439,598	(0.5%)	679,600,000 ^{2/}	(1.5%)	0.212%
2009	1,466,884	1.9%	626,500,000 ^{3/}	(7.8%)	0.234%
Compounded Annual Growth Rate					
1998 - 2001	(2.6%)		2.0%		
2001 - 2003	122.3%		(3.1%)		
2003 - 2009	0.9%		1.1%		
1998 - 2009	15.4%		0.5%		

Notes:

- 1/ Fiscal year ending September 30.
- 2/ Estimated by the FAA.
- 3/ Projected by the FAA.

Sources: City of Long Beach (Airport activity); FAA (U.S. activity), October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

percent increase in enplaned passengers in FY 1999 from FY 1998 levels was primarily due to charter service initiated by WinAir at the Airport to Las Vegas, Oakland, Sacramento, and Salt Lake City. After WinAir discontinued service at the Airport in late FY 1999 due to its bankruptcy, passenger activity decreased 31.0 percent in FY 2000 from FY 1999 levels. Allegiant Air, which initiated service at the Airport in early FY 2000 with route structures similar to WinAir, discontinued service at the Airport in early FY 2001, causing passenger activity to further decrease 11.9 percent in FY 2001 from FY 2000 levels.

- **FY 2002 – FY 2005.** As discussed earlier, the initiation of service by JetBlue at the Airport in late FY 2001 significantly increased passenger activity between FY 2001 and FY 2005. As shown in Table II-7, passenger activity at the Airport increased from 208,528 enplanements in FY 2001 to the current record high of 1,520,918 in FY 2005, a compounded annual growth rate of 43.4 percent during this period. The Airport's significant growth in passenger activity was a function of JetBlue's rapid build-up of air service during this period. This carrier more than doubled the number of cities it served from the Airport - from three in FY 2002 to seven by FY 2005. Additionally, JetBlue's daily nonstop flights from the Airport increased from 13 departures in FY 2002 to 24 by FY 2005.
- **FY 2006 – FY 2009.** After reaching a record high level of 1,520,918 enplaned passengers in FY 2005, passenger activity at the Airport remained relatively stable between FY 2006 and FY 2009, ranging from a low of 1,412,636 in FY 2006 to a high of 1,466,884 in FY 2009. The 7.1 percent decrease in passenger activity at the Airport in FY 2006 from FY 2005 levels was primarily due to American's discontinued service at the Airport in mid-FY 2006 due, in part, to poor economic route performance.

2.3.2 Enplaned Passengers by Airline

Table II-8 presents historical shares of enplanements by airlines at the Airport between FY 2005 and FY 2009. As shown, enplanements are spread over a number of carriers; however, JetBlue had the majority of passenger activity with over 70 percent of annual enplanements at the Airport during each year depicted. In FY 2009, JetBlue had a 78.4 percent share of enplaned passengers at the Airport; with Alaska, Mesa, and SkyWest accounting for a combined 21.6 percent of enplanements at the Airport during this same period. As also shown, American's share of enplaned passengers at the Airport decreased significantly in FY 2006 from the 12.1 percent share it accounted for in FY 2005, as this carrier steadily decreased activity at the Airport during this period until ultimately ceasing service at the Airport in mid-FY 2006.

2.4 Historical Air Service

An important airport characteristic is the distribution of its O&D markets, which is a function of air travel demand and available services and facilities. This is particularly true for the Airport, as it services primarily O&D passengers.⁴ **Table II-9** presents historical data on the Airport's primary (i.e., top 20) O&D markets for FY 2000 and FY 2008. As shown, the Airport served primarily medium to long-haul markets in FY 2000, with an average stage length (i.e., passenger trip distance) of 1,136 miles. With JetBlue subsequently providing low-fare service to major east coast markets such as New York, Washington, and Boston, local demand for these markets increased significantly, resulting in the average stage length for the Airport increasing to 1,272 miles in FY 2008. Of the

⁴ The City estimates O&D traffic at the Airport to be approximately 96.0 percent of its total passengers.

Table II-8

Historical Enplanements by Airline

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

Notes:

- 1/ Includes activity for Horizon Air (FY 2009). Alaska Airlines will discontinue its service at the Airport in November 2009.
- 2/ Includes activity for America West (FY 2005 - FY 2007) and Mesa (FY 2005 - FY 2009). Mesa currently provides service at the Airport as US Airways Express.
- 3/ Totals may not add due to individual rounding.

Source: City of Long Beach, October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

Table II-9

Primary O&D Passenger Markets

FY 2000						FY 2008						
Rank	Market	Trip Length ^{1/}	Total O&D Passengers	Average Fare	Yield Per Coupon Mile	Rank	Market	Current Nonstop Service ^{2/}	Trip Length ^{1/}	Total O&D Passengers	Average Fare	Yield Per Coupon Mile
1	Dallas	MH	201,360	\$181	\$0.1480	1	Oakland	●	SH	383,580	\$69	\$0.1952
2	Phoenix	SH	163,450	\$76	\$0.2149	2	New York/Newark	●	LH	374,800	\$193	\$0.0779
3	Chicago	MH	78,140	\$152	\$0.0868	3	Salt Lake City	●	SH	272,090	\$86	\$0.1448
4	Las Vegas	SH	23,470	\$54	\$0.2325	4	Seattle	●	MH	237,790	\$113	\$0.1171
5	Atlanta	LH	18,640	\$231	\$0.1177	5	Boston	●	LH	205,490	\$207	\$0.0791
6	Detroit	LH	12,410	\$167	\$0.0814	6	Washington DC	●	LH	198,700	\$174	\$0.0756
7	Albuquerque	MH	10,510	\$109	\$0.1599	7	Las Vegas	●	SH	181,650	\$72	\$0.3123
8	Houston	MH	10,310	\$209	\$0.1478	8	Chicago	●	MH	139,820	\$155	\$0.0889
9	Tucson	SH	10,290	\$75	\$0.1620	9	Sacramento	●	SH	139,180	\$73	\$0.1894
10	St. Louis	MH	7,770	\$187	\$0.1077	10	Fort Lauderdale	●	LH	87,750	\$158	\$0.0672
11	New York/Newark	LH	7,080	\$295	\$0.1169	11	Phoenix	●	SH	77,480	\$86	\$0.2410
12	El Paso	MH	5,850	\$113	\$0.1582	12	San Jose	●	SH	62,630	\$61	\$0.1871
13	Austin	MH	4,560	\$166	\$0.1262	13	Salinas/Monterey		SH	33,890	\$111	\$0.3936
14	Minneapolis	MH	4,050	\$187	\$0.1064	14	Reno		SH	29,170	\$117	\$0.2895
15	Denver	MH	4,020	\$169	\$0.1772	15	Fresno		SH	25,140	\$102	\$0.4590
16	Baltimore	LH	3,770	\$218	\$0.0916	16	Austin	●	MH	21,420	\$118	\$0.0955
17	Indianapolis	LH	3,760	\$172	\$0.0899	17	Spokane		MH	12,030	\$146	\$0.1355
18	Charlotte	LH	3,630	\$277	\$0.1283	18	Orlando		LH	9,330	\$175	\$0.0727
19	San Antonio	MH	3,550	\$173	\$0.1291	19	Dallas		MH	7,820	\$167	\$0.1260
20	Wichita	MH	3,500	\$289	\$0.2160	20	Denver		MH	6,670	\$130	\$0.1339
Average						Average						
Airport ^{3/}		1,136		\$153	\$0.1318	Airport ^{3/}			1,272		\$129	\$0.0996
United States		800		N/A	\$0.1403	United States			871		N/A	\$0.1245

Notes:

- 1/ (SH) Short Haul = 0 to 600 miles
- (MH) Medium Haul = 601 to 1,800 miles
- (LH) Long Haul = over 1,800 miles

2/ As of October 14, 2009.

3/ Average calculated for all of the Airport's O&D markets.

Source: O&D Survey of Airline Passenger Traffic, U.S. DOT., October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

Airport's top 20 O&D markets in FY 2000, only four currently have nonstop service: Chicago, Dallas, Las Vegas, and Phoenix. In FY 2008, the top 12 O&D markets for the Airport currently have nonstop service (with all but Phoenix being served by JetBlue).

The presence of JetBlue at the Airport provided significant increases in demand for certain markets and changes to the structure of the top 20 O&D markets. A discussion regarding Airport O&D markets that experienced an increase of approximately 200,000 or more O&D passengers between FY 2000 and FY 2008 is provided below:

- O&D traffic for New York increased from approximately 7,080 passengers in FY 2000 to approximately 374,800 passengers in FY 2008, an increase of 367,720 passengers during this period. Major factors for this significant increase include the convenience of nonstop service and average one-way fares decreasing \$100 in FY 2008.
- Based on U.S. DOT ticket sample data, there was no O&D traffic between the Airport and Oakland in FY 2000. With JetBlue's subsequent initiation of nonstop service from the Airport to Oakland, this market was the top-ranked O&D market for the Airport in FY 2008 with approximately 383,580 passengers. The average one-way fare from the Airport to Oakland was \$69 during this period.
- O&D traffic for Boston increased from approximately 3,050 passengers in FY 2000 to approximately 205,490 passengers in FY 2008, while Washington increased from approximately 3,280 passengers to approximately 198,700 passengers during this same period. Similar to New York, major factors for these significant increases include the convenience of nonstop service and average one-way fares decreasing by \$100 and \$182, respectively, in FY 2008 from FY 2000 levels. The O&D passenger ranking for Boston at the Airport increased from 25th in FY 2000 to 5th in FY 2008; while Washington's O&D ranking increased from 23rd to 6th during this same period.

Table II-10 presents the Airport's nonstop markets as of October 2009, including the markets served, daily flights, and airlines providing nonstop flights. As shown, daily nonstop service is provided to 15 destinations with a total of 43 daily flights, with three daily nonstop flights to Oakland (the Airport's top O&D market). Primary O&D markets with a significant number of daily nonstop flights include third-ranked Salt Lake City (seven daily flights), fourth-ranked Seattle (five daily flights), and tenth-ranked Phoenix (four daily flights).

2.5 Historical Aircraft Operations and Landed Weight

After a discussion of the noise ordinance restrictions currently in place at the Airport in Section 2.5.1 below, this section presents historical aircraft operations (takeoffs and landings) at the Airport, as well as historical landed weight by passenger airlines and all-cargo carriers.

2.5.1 Airport Noise Compatibility Ordinance

In 1981, the City of Long Beach (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 Long Beach City Council adopted the current Airport Noise Compatibility Ordinance (Ordinance). One component of the 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. These commuter slots are restricted to aircraft having a certificated maximum take-off weight less than 75,000 pounds.

Table II-10

Nonstop Markets

Market	Daily Nonstop Flights	Number of Airlines	Airline
Austin	1	1	JetBlue
Boston	2	1	JetBlue
Chicago	1	1	JetBlue
Fort Lauderdale	1	1	JetBlue
Las Vegas	2	1	JetBlue
New York	3	1	JetBlue
Oakland	3	1	JetBlue
Phoenix	4	1	Mesa
Portland, OR	4	2	Horizon Air (2), JetBlue (2)
Sacramento	2	1	JetBlue
Salt Lake City	7	2	JetBlue (2), SkyWest (5)
San Francisco	3	1	JetBlue
San Jose	3	1	JetBlue
Seattle	5	3	Alaska (2), Horizon Air (1), JetBlue (2)
Washington, D.C.	2	1	JetBlue
Total Flights	43		

Source: Official Airline Guide, October 14, 2009

Prepared by: Ricondo & Associates, Inc., October 2009.

The 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 Ordinance.⁵ At no time since adoption of the Ordinance has the City authorized any increase in the minimum number of permitted air carrier or commuter flights at the Airport. Such increases, however, could occur in the future if the airlines optimize their flight operations at the Airport. For the air carriers, this would include using the quietest feasible models of aircraft for every flight at the Airport and substantially reducing late night operations to reduce curfew violations. Under these optimal conditions, which have never been achieved at the Airport, the estimated number of increased air carrier flights would range between seven and 11 additional flights.

As of October 2009, the Airport's 41 air carrier slots are fully allocated. Five of the air carrier slots will be reallocated to incumbent and/or new entrant carriers during FY 2010 after Alaska discontinues air carrier service at the Airport in November 2009. To continue to maintain the full service of the Alaska Air group at the Airport, Horizon Air has increased its allocation of commuter slots from two to four effective November 2009. SkyWest currently holds five of the Airport's commuter slots; however, the remaining 16 slots are currently not being used by any airline and remain available for allocation. The Embraer 190 regional jets utilized by JetBlue and Mesa's Canadair 900 regional jets are considered to be larger commercial aircraft, as the certificated maximum take-off weight for both aircraft types exceed the commuter definition of less than 75,000 pounds.

2.5.2 Aircraft Operations

The Airport is home to commercial, all-cargo, general aviation, military, and corporate aircraft; helicopters, flight schools, aircraft rental and leasing facilities, and aircraft manufacturers.

Table II-11 presents historical operations (take-offs or landings) at the Airport between FY 2004 and FY 2009. As shown, total aircraft activity at the Airport increased from 343,993 operations in FY 2004 to a record-high level of 399,622 in FY 2007. This increase represents a compounded annual growth rate of 5.1 percent during this period, compared to a compounded annual decrease of 1.1 percent nationwide. As discussed below, the Airport is one of the world's busiest airports in terms of general aviation activity, as operations by general aviation aircraft accounted for nearly all of the increase in aircraft activity at the Airport between FY 2004 and FY 2007. This component of activity is also one of the more volatile during economic downturns and high fuel prices, as evidenced by the 11.2 percent decrease in total operations at the Airport in FY 2008 from FY 2007 levels, followed by a 14.7 percent decrease in FY 2009 from FY 2008 levels, all primarily due to decreased general aviation activity during this period.

Specific trends in operational activity by major user category at the Airport are discussed below:

- **Air Carriers.** Air carrier operations at the Airport were relatively stable between FY 2004 and FY 2009 due to the Ordinance discussed above, averaging approximately 25,000 operations during this period.
- **Commuters.** With the shifting of service between Alaska and Horizon Air, commuter operations ceased at the Airport in early FY 2004. With the initiation of commuter service by SkyWest in mid-FY 2006 and by Expressjet in early FY 2008, commuter activity at the

⁵ Each user group is assigned a noise budget, based on the 1989-1990 baseline, for take-off and landing noise on Runway 30/12. Baseline noise budgets were established by the actual monitored noise levels of each group during the cumulative 12-month period from November 1, 1989 to October 31, 1990.

Table II-11

Historical Aircraft Operations

Fiscal Year	Air Carriers	Commuters	Airline Total	General Aviation	All Cargo	Other Air Taxi	Military	Total
2004	25,258	400	25,658	307,232	4,160	6,118	825	343,993
2005	25,592	0	25,592	308,402	3,856	5,883	644	344,377
2006	24,172	1,380	25,552	324,747	3,644	6,204	664	360,811
2007	25,164	2,644	27,808	361,511	3,750	5,858	695	399,622
2008	24,286	6,578	30,864	313,750	4,140	5,455	518	354,727
2009	25,642	3,970	29,612	264,041	3,714	4,535	770	302,672
Compounded Annual Growth Rate								
2004 - 2007	(0.1%)	87.7%	2.7%	5.6%	(3.4%)	(1.4%)	(5.6%)	5.1%
2007 - 2008	(3.5%)	148.8%	11.0%	(13.2%)	10.4%	(6.9%)	(25.5%)	(11.2%)
2008 - 2009	5.6%	(39.6%)	(4.1%)	(15.8%)	(10.3%)	(16.9%)	48.6%	(14.7%)

Source: City of Long Beach, October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

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Airport steadily increased from 1,380 operations in FY 2006 to 6,578 in FY 2008. ExpressJet later discontinued its self-commercially branded operations in September 2008 and no longer serves the Airport. As a result, commuter operations at the Airport decreased nearly 40 percent in FY 2009 from FY 2008 levels.

- **General Aviation.** General aviation represents a significant component of the Airport's total aircraft activity, as this major user group accounted for over 87 percent of total operations at the Airport in FY 2009. Although commercial flights are slot restricted, there are still a large number of flights at the Airport from charter, private aviation, flight schools, law enforcement, and other general aviation activity that are not restricted. As a result, the Airport is one of the busiest general aviation airports in the world. The Airport has averaged more than 310,000 annual operations between FY 2004 and FY 2009 (over 300,000 annual operations excluding FY 2007). The Airport is one of a few in the nation that continues to support aircraft manufacturing plants and completion centers, including Boeing's C-17 facility and Gulfstream Aerospace. Four fixed base operators are located at the Airport: AirFlite, Signature @Aeroplex, Mercury Air, and Long Beach Air Center. In addition, Flight Safety International has a flight-training center at the Airport. The Airport is also home for several public safety services, including the Civil Air Patrol Search and Rescue, Long Beach Police Department's Field Services Division, the Long Beach Fire Department Headquarters, and Los Angeles Sheriff Department air units, as well as life-saving air ambulances services. Its hangar facilities and open tie-down spaces can accommodate over 600 general aviation aircraft.

General aviation activity at the Airport steadily increased between FY 2004 and FY 2007, from 307,232 operations to 361,511 operations during this period. This increase represents a compounded annual growth rate of 5.6 percent, compared to a compounded annual decrease of 1.8 percent nationwide. General aviation activity at the Airport has decreased from this peak of 361,511 operations in FY 2007 to 264,041 operations in FY 2009 (a compounded annual decrease of 14.5 percent). This decrease in general aviation activity was primarily due to the significant rise in jet fuel cost during this period, as well as the weakened nationwide economy.

- **All Cargo.** Activity by all-cargo carriers at the Airport was relatively stable between FY 2004 and FY 2009, ranging from a low of 3,644 operations in FY 2006 to a high of 4,160 in FY 2004. As of October 2009, the Airport is served by two all-cargo carriers: FedEx and UPS. Previously, ABX Air had operated scheduled all-cargo service on behalf of DHL. ABX Air has been DHL's principal business partner in the United States since August 2003, when it became an independent publicly-held company when its former parent, Airborne Express, was acquired by DHL. However, ABX Air's contract with DHL terminated in December 2008 and as a result, ABX discontinued service at the Airport and relinquished its allocated commercial flight slot.
- **Other Air Taxi.** Other air taxi activity at the Airport (for-hire charters, fixed base operators, etc.) was relatively stable between FY 2004 and FY 2009, ranging from a low of 4,535 in FY 2009 to a high of 6,204 in FY 2006 (an average of 5,700 operations during this period).
- **Military.** Similar to other air taxi operations, military activity at the Airport was relatively stable between FY 2004 and FY 2009, ranging from a low of 518 in FY 2007 to a high of 825 in FY 2004 (an average of approximately 700 operations during this period).

2.5.3 Landed Weight by Airline

Table II-12 presents the share of landed weight by passenger airlines and all-cargo carriers at the Airport between FY 2005 and FY 2009. As shown, JetBlue's share of annual landed weight at the Airport increased from 57.9 percent in FY 2005 to 68.7 percent in FY 2009. In FY 2009, JetBlue accounted for 78.8 percent of the passenger airline landed weight at the Airport. Passenger airlines accounted for 87.2 percent of total landed weight at the Airport in FY 2009, while all-cargo carriers accounted for the remaining 12.8 percent of landed weight.

2.6 Factors Affecting Aviation Demand and the Airline Industry

This section discusses qualitative factors that could influence future aviation activity at the Airport.

2.6.1 National Economy

Air travel demand is directly correlated to consumer income and business profits. As consumer income and business profits increase, so does demand for air travel. In 2008, the combination of declines in construction activity, losses in housing-related securities, rising oil prices and a falling stock market eventually tipped the economy into recession. The nation's non-seasonally adjusted unemployment rate rose from 5.4 percent in January 2008 to 7.1 percent in December 2008. In the first half of 2009, the nation's unemployment rate continued to increase and by October 2009, the nation's unemployment rate was at 10.2 percent, the highest rate since April 1983. U.S. GDP remained positive or slightly negative for the first three quarters of 2008, before entering a sharp decline of 5.4 percent in the fourth quarter of 2008. Consumer and business spending began to decline sharply in the third quarter of 2008 and mounting stress in financial markets reached a breaking point in September 2008, triggering a decline in stock market wealth that further reduced consumer and business spending. This sharp decline continued into the first quarter of 2009 as the nation's GDP decreased for the third straight quarter at a rate of 6.4 percent. U.S. GDP for the second quarter of 2009 decreased by a smaller rate of 1.0 percent when compared to the first quarter of 2009. U.S. GDP increased 3.5 percent in the third quarter of 2009, according to advance estimates from the Bureau of Economic Analysis. The third-quarter increase was the first since the second quarter of 2008.

In February 2009, the federal government passed a \$787 billion package of tax cuts and new federal spending aimed at stimulating private sector economic activity. Despite a 6.4 percent decline in GDP in the first quarter of 2009, the latest forecasts from the Congressional Budget Office (CBO) project a return to slow economic growth nationwide by the fourth quarter of 2009.⁶

2.6.2 State of the Airline Industry

In 2008 and through the first half of 2009, the combination of record high fuel prices, weakening economic conditions, and a weak dollar have resulted in the worst financial environment for U.S. network and low-cost carriers since the September 11th terrorist attacks. Many of the domestic network competitors announced significant capacity reductions, increases in fuel surcharges, fares and fees, and other measures to address the challenges. In the aftermath of September 11th, the industry saw a material adverse shift in the demand for air travel. The result was five years of reported industry operating losses, totaling more than \$28 billion dollars (excluding extraordinary charges and gains). Whereas the capacity reductions in the beginning of the century were the direct

⁶ Source: Congressional Budget Office, *Economic Projections*, available online at: <http://www.cbo.gov/budget/econproj.shtml>, last accessed, May 20, 2009.

Table II-12

Historical Landed Weight by Airline
(Weight in Thousand Pounds)

Airline	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009	
	Landed Weight	Share								
JetBlue	1,167,950	57.9%	1,215,378	63.3%	1,327,842	65.9%	1,329,972	64.9%	1,420,162	68.7%
All-Cargo Carriers	350,388	17.4%	332,027	17.3%	308,729	15.3%	307,990	15.0%	264,064	12.8%
Alaska ^{1/}	134,386	6.7%	145,336	7.6%	196,676	9.8%	141,525	6.9%	175,653	8.5%
SkyWest	126,842	6.3%	118,503	6.2%	119,876	5.9%	115,008	5.6%	103,121	5.0%
US Airways ^{2/}	-	-	32,430	1.7%	62,134	3.1%	82,803	4.0%	102,952	5.0%
ExpressJet	-	-	-	-	-	-	71,528	3.5%	-	-
American Airlines	236,767	11.7%	77,546	4.0%	-	-	-	-	-	-
Airport Total ^{3/}	2,016,333	100.0%	1,921,220	100.0%	2,015,257	100.0%	2,048,825	100.0%	2,065,952	100.0%

Notes:

- 1/ Includes activity for Horizon Air (FY 2009).
- 2/ Includes activity for America West (FY 2005 - FY 2007) and Mesa (FY 2005 - FY 2009). Mesa currently provides service at the Airport as US Airways Express.
- 3/ Totals may not add due to individual rounding.

Source: City of Long Beach, October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

results of terror threats targeting the traveling public, the industry reductions started in late 2008 through the first half of 2009 were primarily driven by significant increases in fuel costs over a span of two and a half years, a weak dollar exacerbating the impact of increased fuel costs for U.S. carriers, and the contraction of the U.S. economy.

Following the restructuring years after September 11th, the industry finally gained ground in 2007 with virtually every U.S. carrier posting profits. In 2007, the major airlines had managed to restrain capacity in a growing economy. High fuel prices challenged margins, crowded out cost-saving initiatives, and a slowing U.S. economy weakened demand, even with restrained capacity growth.

JetBlue is the largest airline operator at the Airport with 76.5 percent of total enplaned passengers at the Airport in FY 2008. JetBlue reported net income of \$244.8 million between CY 2001 and CY 2004, followed by a loss of \$10 million between CY 2005 and CY 2006. JetBlue reported net income of \$18 million in CY 2007, followed by a pre-tax loss of \$23 million in CY 2008 (excluding a \$53 million special non-cash charge related to the valuation of JetBlue's auction rate securities). For the second quarter ending June 30, 2009, JetBlue reported net income of \$14 million (excluding an accounting gain of \$6 million related to the valuation of JetBlue's auction rate securities), compared to a net loss of \$9 million for the second quarter ending June 30, 2008.

2.6.3 Cost of Aviation Fuel

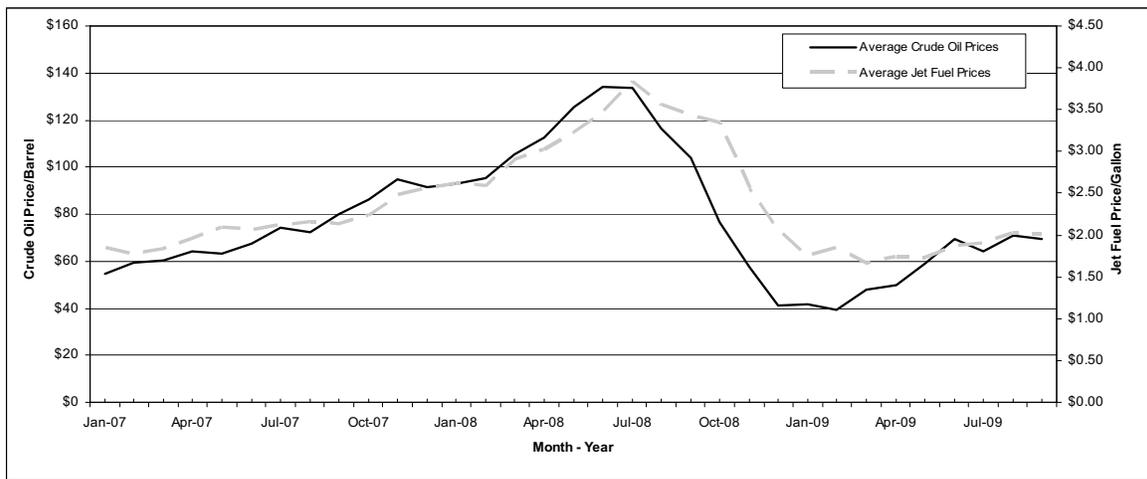
The price of fuel is the most significant force affecting the airline industry today. The average price of jet fuel was \$0.82 per gallon in 2000 compared to \$3.07 in 2008, an increase of 275 percent. According to the Air Transport Association (ATA), every one-cent increase in the price per gallon increases annual airline operating expenses by approximately \$190 million to \$200 million.

Also according to the ATA, U.S. airline fuel expense increased from \$16.4 billion in 2000 to \$57.8 billion in 2008, a CAGR of 16.7 percent during this period. The most significant annual increase in U.S. fuel expense during this period occurred in 2008, when fuel expenses increased from \$41.9 billion in 2007 to \$57.8 billion in 2008, a 37.9 percent increase. On July 11, 2008, oil prices rose to a new record of \$147 per barrel following concerns over Iranian missile testing. During the remaining months of 2008 oil prices declined from their July peak and closed out the year at an average of approximately \$40 per barrel (December 2008). **Exhibit II-2** shows the monthly averages of jet fuel and crude oil prices from January 2007 through September 2009. On November 11, 2009, the NYMEX crude future oil price per barrel closed near the \$79 per barrel range.

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Exhibit II-2

Historical Monthly Averages of Jet Fuel and Crude Oil Prices



Source: Air Transport Association (ATA), November 2009.
 Prepared by: Ricondo & Associates, Inc., November 2009.

In 1999, jet fuel accounted for nearly 10 percent of an airline's operating expenses and historically, fuel expense was the second highest operating expense for an airline behind labor. More recently, jet fuel has surpassed labor as an airlines' highest operating expense, according to the ATA. In 2008, fuel comprised approximately 30.6 percent of an airline's total operating costs while labor represented approximately 20.3 percent of the total. As oil prices fell in the first quarter of 2009, fuel expenses retreated and labor once again became the airlines' highest operating expense representing 25.8 percent of total operating expenses while fuel was at 21.3 percent. Despite the recent drops in jet fuel prices, the airlines still followed through on plans to curtail capacity in the weak economy. According to *usatoday.com*, scheduled domestic capacity is down 13.0 percent in November 2009 compared to the same month in 2007.⁷

2.6.4 Airline Seat Capacity Reductions

Domestic airline seat capacity in the first half of CY 2009 compared to the same period in CY 2008 decreased 9.1 percent nationwide, based on the top domestic carriers.⁸ Total domestic seats for these carriers decreased by 40.9 million seats from approximately 452.0 million in the first half of CY 2008 to 411.1 million in CY 2009. The legacy and other major carriers' domestic seat capacity has decreased by 9.4 percent. Low cost carriers have reduced domestic seat capacity during the first half of CY 2009 compared to the same period in CY 2008 by 5.3 percent

2.6.5 Airport Security

With enactment of the Aviation and Transportation Security Act (ATSA) in November 2001, the Transportation Security Administration (TSA) was created and established different and improved

⁷ Source: <http://www.usatoday.com/travel/flights/airline-capacity-map.htm>. The data reflect what airlines had reported to Official Airline Guide (OAG) regarding their November schedules as of October 12, 2009.

⁸ The following carriers and their affiliates were used in this analysis: AirTran, Alaska, Aloha, American, ATA, Continental, Delta, ExpressJet, Frontier, Hawaiian, JetBlue, Midwest, Northwest, Southwest, Spirit, United, US Airways, and Virgin America. These 18 carriers represented 98.4 percent of total domestic seats in the first half of CY 2009.

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. The federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

2.6.6 Threat of Terrorism

As has been the case since September 11th, the recurrence of terrorism incidents against either domestic or world aviation during the projection period remains a risk to achieving the activity projections contained herein. Any terrorist incident aimed at aviation would have an immediate and significant adverse impact on the demand for aviation services.

2.7 Projections of Aviation Demand

Projections of aviation demand were prepared on the basis of current flight schedules, load factors, Airport enplanements and operations, the Airport's historical shares of U.S. enplanements, and anticipated trends in air carrier usage of the Airport.

The resultant projections were based on a number of underlying assumptions, including:

- The Airport will continue to be a focus city for JetBlue. This airline will remain as the Airport's largest carrier in terms of enplanements, landed weight, and airline operations.
- The slot allocation for air carriers will remain at 41 slots. The allocation by airline during the projection period is as follows: JetBlue (30, new Delta mainline (2), New Entrant (2), Mesa (4), UPS (2), and FedEx (1). The new Delta mainline and New Entrant carrier slots are provided by Alaska's termination of mainline service at the Airport in November 2009 and relinquishing its five slots, with the remaining slot assumed going to JetBlue. Service to and from Alaska's prior destinations will be provided by two additional commuter slots allocated to Horizon Air effective November 2009.
- JetBlue's fleet consists of 150-seat Airbus 320s (A-320) and 100-seat Embraer 190s (E-90). Currently there are no other types of aircraft on order for JetBlue and it is our assumption during the projection period that JetBlue will only operate these two types of aircraft.
- Average daily departures by aircraft for JetBlue will transition the E-90 to the A-320, as passenger demand increases. Currently, JetBlue averages seven to eight daily departures with E-90 aircraft and 21 to 22 departures by the A320. During the projection period, and as passenger demand increases, it is expected by FY 2015 that average daily departures for JetBlue's E-90 will decrease to five or six, with JetBlue's A-320 departures increasing to approximately 24 to 25 per day.
- In our projections, new Delta mainline and New Entrant will each maintain two slots with a fleet of Boeing 737s. Mesa is projected to continue its four-slot operation with 70 to 80 seat regional jets and, as passenger demand increases, it is assumed that some current flights will transition into the 99-seat E-90 aircraft currently operated by US Airways.
- The all-cargo carriers, FedEx and UPS, are projected to maintain current aircraft types and operations. Both carriers, on average operate five days per week. As cargo demand increases, both carriers have the ability to increase their current aircraft size. In the

projections, it is assumed that neither FedEx nor UPS will increase their average operations to 7 days per week.

- During the projection period, it is assumed that SkyWest will decrease from five commuter slots to three due to the initiation of new mainline service at the Airport by Delta. Horizon Air commuter slots will increase from two to four in November 2009 to maintain the full service of the Alaska Air Group at the Airport.
- ExpressJet, which discontinued branded service at the Airport in FY 2008, will not return to the Airport during the projection period.
- The commuter slot allocation will remain at seven (SkyWest with three slots and Horizon Air with four slots), with no additional slots operated during the projection period due to the commuter slot definition of aircraft must be less than 75,000 lbs landed weight, the current market environment, airlines reducing capacity, and the trend of airlines eliminating 50-seat regional jets.
- The analysis looked at passenger demand and possible additional commuter flight destinations. A majority of commuter flights are operated by regional affiliates for major airlines and our analysis assumed that this arrangement will continue over the projection period. The analysis looked at commuter flights to current airline hub cities within range of commuter aircraft. Due to low demand of O&D passengers, fleet limitations, and airline capacity plans, the following commuter flights destinations were analyzed, but not projected to start operation within the projection period: Dallas/Ft. Worth by American Eagle and Denver by a regional affiliate for Frontier or United.
- Delta Connection service to Salt Lake City is expected to continue during the projection period. The carrier will decrease its five commuter slots to three slots. SkyWest will transition from 50-seat aircraft into 66 to 70-seat aircraft as passenger demand increases over the projection period. No additional slots are projected to be needed for Delta Connection service to Salt Lake City. The reduction of commuter service to Salt Lake City is projected due to the initiation of Delta mainline service. Delta mainline service is expected to consist of two daily round-trips to one of the following Delta hubs: Atlanta, Minneapolis-St. Paul, or Salt Lake City.
- Airline consolidation/mergers that may occur during the projection period are not likely to negatively impact passenger activity levels at the Airport unless these consolidations/mergers involve JetBlue. Our projections of aviation demand assume that JetBlue will not merge or consolidate with another airline during the projection period.
- Individual airline bankruptcies or liquidations may occur during the projection period; however, they will not adversely impact passenger activity levels projected herein, unless the bankruptcy or liquidation involves JetBlue. Our projections of aviation demand assume that JetBlue will not enter into bankruptcy or liquidation during the projection period.
- For these analyses, and similar to the FAA's assumptions for its nationwide projections, there will not be any terrorist incidents that negatively impact U.S. air traffic demand during the projection period. Additionally, there will not be a major contraction of the aviation industry through bankruptcy or consolidation during this same period.
- Economic disturbances will occur during the projection period causing year-to-year traffic variations; however, a long-term increase in nationwide traffic is expected to occur. The current economic downturn is anticipated to remain through early FY 2010.

To better assess the current trends and validate short and long-term air service assumptions at the Airport, Ricondo & Associates conducted a telephone interview with the Vice President of Network Planning for JetBlue.⁹ Specific points from this interview are discussed below:

- JetBlue is attracted to the Airport for three main reasons. First and foremost are the Airport's lower fees relative to its competing Los Angeles area airports. The airline official noted that the airline's cost per enplanement at the Airport is currently below other airports within JetBlue's route network. The lower cost structure enables the carrier to increase aircraft efficiency by flying larger aircraft at higher load factors at reduced trip expenses. Second, the Airport's geography is unique in that it is centrally located between Los Angeles and Orange County. There is a large population base of origination traffic within the catchment area (The City of Long Beach itself has grown to a community of nearly one-half million residents). Finally, the Airport's facility provides its passengers with a convenient and quick airport experience adding to JetBlue's overall customer brand image.
- JetBlue initiated new intra-West routes launched from the Airport (i.e., Portland, Oregon and San Francisco) in October 2008. After seeing other similar short-haul markets on the west coast exceed expectations, JetBlue decided to enter the new routes by temporarily leasing two available slots from Alaska.¹⁰ Offering more city destinations has allowed JetBlue to increase its appeal to the local traveling public and increase connection opportunities through the Airport. Beginning in January 2010, JetBlue will increase the number of daily nonstop flights from Long Beach Airport to San Francisco, for a total of five daily flights.
- JetBlue currently has no plans to order additional aircraft or further modify its planned aircraft delivery schedule. In July 2009, JetBlue deferred delivery of three A320 aircraft scheduled for delivery in 2010. As a result, JetBlue currently is not obligated to take delivery of any aircraft during 2010. JetBlue's operating fleet consisted of 110 Airbus A320 aircraft and 41 Embraer 190 aircraft as of June 30, 2009. JetBlue does not expect any changes to its operating fleet for the remainder of 2009. As of June 30, 2009, JetBlue's firm aircraft orders consisted of 55 Airbus A320 aircraft and 60 Embraer 190 aircraft scheduled for delivery between 2011 and 2016. Current fleetings (aircraft assignment) at the Airport should remain similar for the following year.
- One of the key elements in JetBlue's west coast strategy is the redeployment of 100-seat Embraer 190 to that region. The reallocation opportunity was funded by taking aircraft from closed or suspended stations (e.g., Nashville, Columbus, and Tucson). However, due to operating limitations, the Embraer 190 cannot fly coast-to-coast. As a result, JetBlue has routed these aircraft through a mid-continent point, Austin, to enable the aircraft to reach and fly along the west coast.
- Mainline aircraft growth options are limited at Airport due to the absence of non-commuter slots. On March 4, 2009, JetBlue was awarded an available non-commuter flight slot in an open and transparent lottery. The available flight slot was formerly held by ABX Air. As a result, JetBlue currently has a total allocation of 29 carrier slots. JetBlue has no current plans to apply for available commuter slots. JetBlue currently has no plans to acquire smaller regional aircraft or code-share with a regional operator.

⁹ Telephone interview conducted on January 6, 2009.

¹⁰ JetBlue is no longer temporarily leasing two air carrier slots from Alaska. However, JetBlue was formally granted its 29th air carrier slot that had previously belonged to ABX/DHL prior to its termination of service at the Airport in December 2008.

- JetBlue is the largest carrier at the Airport and continues to find opportunities to grow when they become available. However, it is difficult for the carrier to assess its long-term position at the Airport. Operating a focus city with limited growth opportunities makes it difficult to compete with other airlines that fly along the west coast with hourly frequencies and flying with larger aircraft. With transcontinental growth slowing and new flight restrictions at JFK, the airline has been looking for new opportunities in the west coast, particularly the lucrative routes along the coastline from San Diego to Seattle.
- As a way to grow in the region, JetBlue initiated or intends to increase capacity from other Los Angeles area airports. Currently, the carrier also operates from Burbank to New York City and Las Vegas. On June 17, 2009, JetBlue initiated twice daily nonstop service from LAX to Boston and New York. With this service in place, one strategy that JetBlue may employ is to eliminate some East Coast route frequencies from the Airport to focus more on the profitable markets along the West Coast corridor.
- For 2009, JetBlue expects its full-year operating capacity to remain relatively stable. The carrier will focus on improving the quality of its daily flight schedule by reducing aircraft utilization and increasing schedule block times while maintaining or marginally increasing frequencies.

In a Q&A session conducted by a travel blog website on March 31, 2009, David Barger, JetBlue's CEO, stated that the airline could not rule out leaving the Airport, citing the slow pace of improvements at the Airport.¹¹ Since this Q&A session, the Airport has met twice with JetBlue's CEO to outline its capital improvement projects planned for both the landside and airside areas of the Airport, including terminal-related improvements. Currently, JetBlue uses temporary trailers for processing passengers arriving and departing from aircraft at the Airport. In addition, the Airport has had numerous meetings with JetBlue staff to determine its future operational needs at the Airport. In order to meet current needs and to minimize impacts on the costs of doing business at the Airport, the Airport is planning a phased approach to the improvements, building only the features most critical to ensuring continued convenience and safety for its passengers – holdrooms, restrooms, concessions, and combined passenger screening. As outlined to JetBlue, and as discussed in Chapter 3, design and approvals for the Terminal Improvement Project are anticipated in FY 2010, with commencement of construction in early FY 2011. In particular to the Series 2009 Project and the Terminal Improvement Project, JetBlue has stated its support of the current scopes for these projects and has requested that the improvements be undertaken as soon as possible.

Many of the factors influencing aviation demand cannot necessarily nor readily be quantified. As a result, the projection process should not be viewed as precise, particularly given the major structural changes that have occurred in the aviation industry since airline deregulation. Actual future traffic levels at the Airport may differ from projections presented herein because of unforeseen events.

2.7.1 Enplanement Projections

Table II-13 presents historical and projected enplanements for the Airport. It is expected that the five air carrier slots that will be relinquished by Alaska in November 2009 will be fully allocated and in use by mid-FY 2010. As a result, it is expected that enplaned passengers will increase 1.0 percent in FY 2010 and by an additional 1.4 percent in FY 2011 (the first full fiscal year of the five re-allocated air carrier slots being utilized), and then increase moderately at a compounded annual

¹¹ Source: <http://crankyflier.com/2009/03/30/across-the-aisle-from-jetblue-ceo-dave-barger-part-1-keeping-the-product-fresh-and-long-beach-troubles/>

Table II-13
Enplaned Passenger Projections

Fiscal Year	Enplanements	Annual Growth
Historical		
1998	303,979	-
1999	461,411	51.8%
2000	318,560	(29.3%)
2001	280,528	(14.0%)
2002	515,634	83.8%
2003	1,386,078	168.8%
2004	1,479,254	6.7%
2005	1,520,918	2.8%
2006	1,412,636	(7.1%)
2007	1,446,140	2.4%
2008	1,439,598	(0.5%)
2009	1,466,884	1.9%
Projected		
2010	1,482,200	1.0%
2011	1,502,800	1.4%
2012	1,514,100	0.8%
2013	1,527,400	0.9%
2014	1,540,700	0.9%
2015	1,554,100	0.9%
Compounded		
Annual Growth Rate		
1998 - 2009	15.4%	
2009 - 2015	1.0%	

Sources: City of Long Beach (Airport activity)
Ricondo & Associates, Inc. (Projections), October 2009.
Prepared by: Ricondo & Associates, Inc., October 2009.

growth rate of 0.8 to 0.9 percent through FY 2015 (compared to the 3.7 percent growth projected nationwide by the FAA between FY 2011 and FY 2015). The compounded annual growth rate projected for the Airport is lower than the nationwide average due to the Airport's limitation on air carrier operations.

2.7.2 Operations Projections

Table II-14 presents historical and projected aircraft operations for passenger airline, general aviation, all-cargo carrier, other air taxi, and military activity. As shown, total aircraft activity at the Airport is projected to increase from 302,672 operations in FY 2009 to 318,690 operations in FY 2015. The increase between FY 2009 and FY 2015 represents a compounded annual growth rate of 0.9 percent, and is indicative of the Airport's limitation on air carrier operations.

Following the impacts of the re-allocated air carrier slots in the short term, passenger airline activity at the Airport is projected to remain constant at 30,970 operations between FY 2011 and FY 2015. The Airport's current slot restrictions are projected to remain through at least FY 2015. The projections include all air carrier slots in operation and seven of the 25 commuter slots in operation during the projection period.

General aviation activity at the Airport is projected to increase from 264,420 operations in FY 2009 to 278,630 in FY 2015. This increase represents a compounded annual growth rate of 0.9 percent during this period, comparable to growth projected for general aviation activity nationwide by the FAA.

All-cargo activity at the Airport is projected to remain at 3,400 operations through the projection period, with FedEx and UPS maintaining their current aircraft types and operations.

Activity by other air taxi operators is projected to increase from 4,535 operations in FY 2009 to 4,990 in FY 2015. This increase represents a compounded annual growth rate of 1.6 percent during this period, comparable to growth projected for air taxi activity nationwide by the FAA.

Future military activity at the Airport will be influenced by U.S. Department of Defense policy, which largely dictates the level of military activity at an airport. Military activity at the Airport is projected to remain constant at 700 operations each year during the projection period, comparable to its approximate average activity level during the last six fiscal years, FY 2004 through FY 2009.

2.7.3 Airline and All Cargo Landed Weight Projections

Table II-15 presents historical and projected airline and all-cargo carrier landed weight at the Airport. As shown, passenger airline landed weight is projected to increase from 1,801,888 thousand pounds in FY 2009 to 1,874,620 thousand pounds in FY 2015 (a compounded annual growth rate of 0.7 percent during this period). As also shown, all-cargo landed weight at the Airport is projected to increase from 264,064 in FY 2009 to 265,300 in 2015, a compounded annual growth rate of 0.1 percent during this period. Since operations by these carriers are expected to remain constant during the projection period (following the impacts of the re-allocated air carrier slots in the short term), their increases in landed weight are based on the assumptions of upgauging aircraft, as discussed above.

Table II-14

Operations Projections

Fiscal Year	Air Carriers	Commuters	Airline Total	General Aviation	All Cargo	Other Air Taxi	Military	Total
Historical								
2004	25,258	400	25,658	307,232	4,160	6,118	825	343,993
2005	25,592	0	25,592	308,402	3,856	5,883	644	344,377
2006	24,172	1,380	25,552	324,747	3,644	6,204	664	360,811
2007	25,164	2,644	27,808	361,511	3,750	5,858	695	399,622
2008	24,286	6,578	30,864	313,750	4,140	5,455	518	354,727
2009	25,642	3,970	29,612	264,041	3,714	4,535	770	302,672
Projected								
2010	25,340	4,380	29,720	266,420	3,400	4,610	700	304,850
2011	26,590	4,380	30,970	268,820	3,400	4,680	700	308,570
2012	26,590	4,380	30,970	271,240	3,400	4,750	700	311,060
2013	26,590	4,380	30,970	273,680	3,400	4,830	700	313,580
2014	26,590	4,380	30,970	276,140	3,400	4,910	700	316,120
2015	26,590	4,380	30,970	278,630	3,400	4,990	700	318,690
Compounded Annual Growth Rate								
2004 - 2009	0.3%	58.3%	2.9%	(3.0%)	(2.2%)	(5.8%)	(1.4%)	(2.5%)
2009 - 2015	0.6%	1.7%	0.8%	0.9%	(1.5%)	1.6%	(1.6%)	0.9%

Sources: City of Long Beach (historical)
Ricondo & Associates, Inc. (projected), October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

Table II-15

Landed Weight Projections (000 lbs)

Fiscal Year	Airline Total	All Cargo	Airport Total
<u>Historical</u>			
2003	1,642,848	345,794	1,988,642
2004	1,820,168	358,491	2,178,659
2005	1,665,945	350,388	2,016,333
2006	1,589,193	332,027	1,921,220
2007	1,706,528	308,729	2,015,257
2008	1,740,836	307,990	2,048,825
2009	1,801,888	264,064	2,065,952
<u>Projected</u>			
2010	1,819,674	264,300	2,083,974
2011	1,837,460	264,500	2,101,960
2012	1,846,780	264,700	2,111,480
2013	1,856,090	264,900	2,120,990
2014	1,865,310	265,100	2,130,410
2015	1,874,620	265,300	2,139,920
<u>Compounded Annual Growth Rate</u>			
2004 - 2009	(0.2%)	(5.9%)	(1.1%)
2009 - 2015	0.7%	0.1%	0.6%

Sources: City of Long Beach (historical)

Ricondo & Associates, Inc. (projected), October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

III. Airport Facilities and the Series 2009 Project

This chapter presents a review of the existing Airport facilities and summarizes the Series 2009 Project at the Airport that is intended to be funded from the proceeds of the Series 2009 Bonds. This chapter also discusses other future five-year capital improvement projects anticipated to be undertaken by the City through FY 2013, including terminal area improvements (Terminal Project).

3.1 Existing Airport Facilities

3.1.1 Airfield

The Airport encompasses an area of 1,166 acres and has five asphalt runways composed of the following:

- **Runway 12-30.** The Airport's largest and main air carrier runway measures 10,000 feet in length and 200 feet in width situated diagonally from the northwest to southeast boundaries of the Airport. The runway's length requires two of the City's main thoroughfares, Lakewood Boulevard and Spring Street, to pass through tunnels located directly beneath the runway.
- **Runways 7L-25R and 7R-25L.** The Airport's pair of east-west parallel runways measure 6,192 feet and 5,423 feet in length, respectively, 150 feet in width, and are situated in the northern and southern portions of the airfield, respectively. Runway 7R-25L serves as the primary general aviation runway. Runway 7L-25R serves as the secondary air carrier runway.
- **Runways 16R-34L and 16L-34R.** The Airport's pair of north-south parallel runways measure 4,470 feet and 4,267 feet in length, respectively, 75 feet in width, and are situated in the western and eastern portions of the airfield, respectively. The FAA, in conjunction with the Airport, is conducting a safety risk assessment of these runways due to the potential for aircraft incursions. A formal recommendation is expected within the year.

These five runways are connected by a fully integrated system of 10 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.

3.1.2 Passenger Terminal Facilities

Constructed in 1941, the Airport's existing passenger terminal was named a City of Long Beach Cultural Heritage Landmark in 1990 and is frequently used by the entertainment industry for television and motion picture productions. The 3-story terminal facility, complimented with a full basement and topped by the 2-story former air traffic control tower, provides facilities for customer ticketing, concessions, restrooms, offices, and storage areas for Airport and Airline staff. In 1984, a permanent passenger screening and holdroom facility (South 1) was constructed adjacent to the terminal to provide better accessibility for passengers with disabilities and to improve the passenger screening process and increase passenger safety and comfort. During FY 2002 and FY 2003, the passenger screening area was again improved to meet current federal requirements and two additional temporary holdroom facilities (North and South 2) were constructed. The terminal also provides 10 ground-level aircraft loading positions for air carrier aircraft parking.

3.1.3 Vehicle Parking

Parking on-site at the Airport is provided in the following areas:

- **Lot A.** Constructed in 1985, the Airport's four-level parking structure provides 1,017 parking spaces.
- **Lots B & C.** Located sequentially to the east of Lot A, these two surface parking lots provide a combined total of 977 parking spaces.
- **Employee Lot.** Located east of Lot C at the entrance to the Airport, the employee lot contains 554 surface parking spaces.
- **Car Rental Lot.** Located across from the terminal and adjacent to Lot A, the car rental lot contains 217 surface parking spaces.

Total on-site Airport parking capacity is 2,765 parking spaces, of which 1,994 parking spaces are available for air carrier passenger parking. To supplement the Airport's need for public parking, a month-to-month agreement for a long-term lot (Lot D) located north of the Airport provides an additional 2,142 surface parking spaces. Although these spaces increase the total parking capacity for air carrier passenger parking to 4,136 parking spaces, the short-term nature of the agreement does not provide the Airport with long-term security for continued use of these spaces.

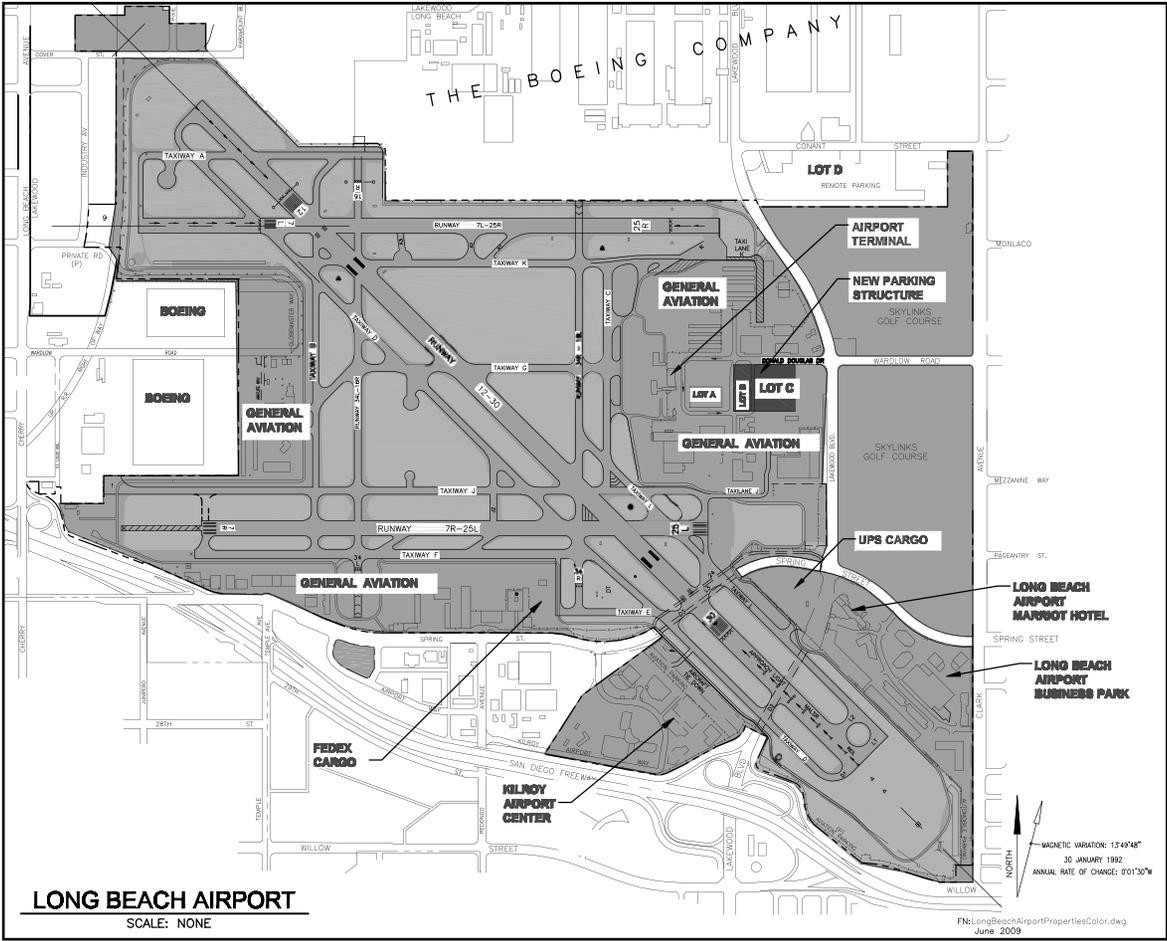
3.1.4 Other Facilities

The Airport maintains approximately 60 long-term ground leases for use of Airport property for commercial, general aviation and manufacturing purposes. In turn, these long-term tenants have developed their respective leaseholds to provide additional subleasing opportunities for various aviation businesses. Today, there are approximately 180 businesses located at the Airport providing employment for approximately 16,000 individuals. These businesses include, among others, the Long Beach Airport Business Park, the Long Beach Airport Marriott Hotel, the Kilroy Airport Center (business park), Gulfstream Aerospace (aircraft services center), Toyota AirFlite (fixed base operator), FedEx, United Parcel Service, Skylinks Golf Course, Automobile Club of Southern California, Embry-Riddle Aeronautical University, DeVry Institute of Technology, and various other specialty aviation companies, fixed base operators, aircraft hangar and tie-down facilities, and aircraft rental and flight training operations.

General aviation accounted for 87.4 percent of the Airport's total annual operations in FY 2008. The Airport can accommodate over 600 general aviation aircraft at open tie-down and hangar spaces.

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

Exhibit III-1 presents the existing facilities at the Airport.



Source: City of Long Beach, June 2009.
 Prepared by: City of Long Beach, June 2009.

Exhibit III-1

Existing Airport Facilities

A-77

3.2 Series 2009 Project

In FY 2003, the City of Long Beach approved costs for the design of a new parking structure (Structure) at the Airport. The Structure, designed for construction in two phases based on projected passenger growth and actual need, will provide for 3,200 parking spaces when fully built and will be located on the footprint of Parking Lots B & C. The Structure, measuring 1.2 million square feet, will be a four-story building providing for parking on five levels and is designed to accommodate the future installation of photovoltaic panels. Each parking level will measure approximately 233,000 square feet. The Structure will include an elevator tower, security systems, fire sprinklers and offices for parking management personnel.

The Series 2009 Bonds will finance the construction of Phase I of the Structure. Measuring approximately 750,000 square feet, Phase I will provide approximately 1,990 parking spaces on five levels each measuring approximately 145,000 square feet. Phase I will include the elevator tower and offices for parking management personnel. Built on the footprint of Parking Lots B & C, Phase I when completed will also provide for a 239-space surface parking lot on the footprint of the future site of Phase II.

Construction of Phase I will consist of roadway development and relocation, utility relocations and construction of the facility. Design and contracting for Phase I have been completed. Construction commencement for Phase I is expected in April 2010 with completion in August 2012.

At the completion of Phase I, total on-site air carrier passenger parking capacity will increase from 1,994 current parking spaces to 3,246 parking spaces based on the following breakdown:

- **Lot A.** 1,017 parking spaces;
- **Phase I of the Structure.** 1,990 parking spaces;
- **Remaining surface parking.** 239 parking spaces.

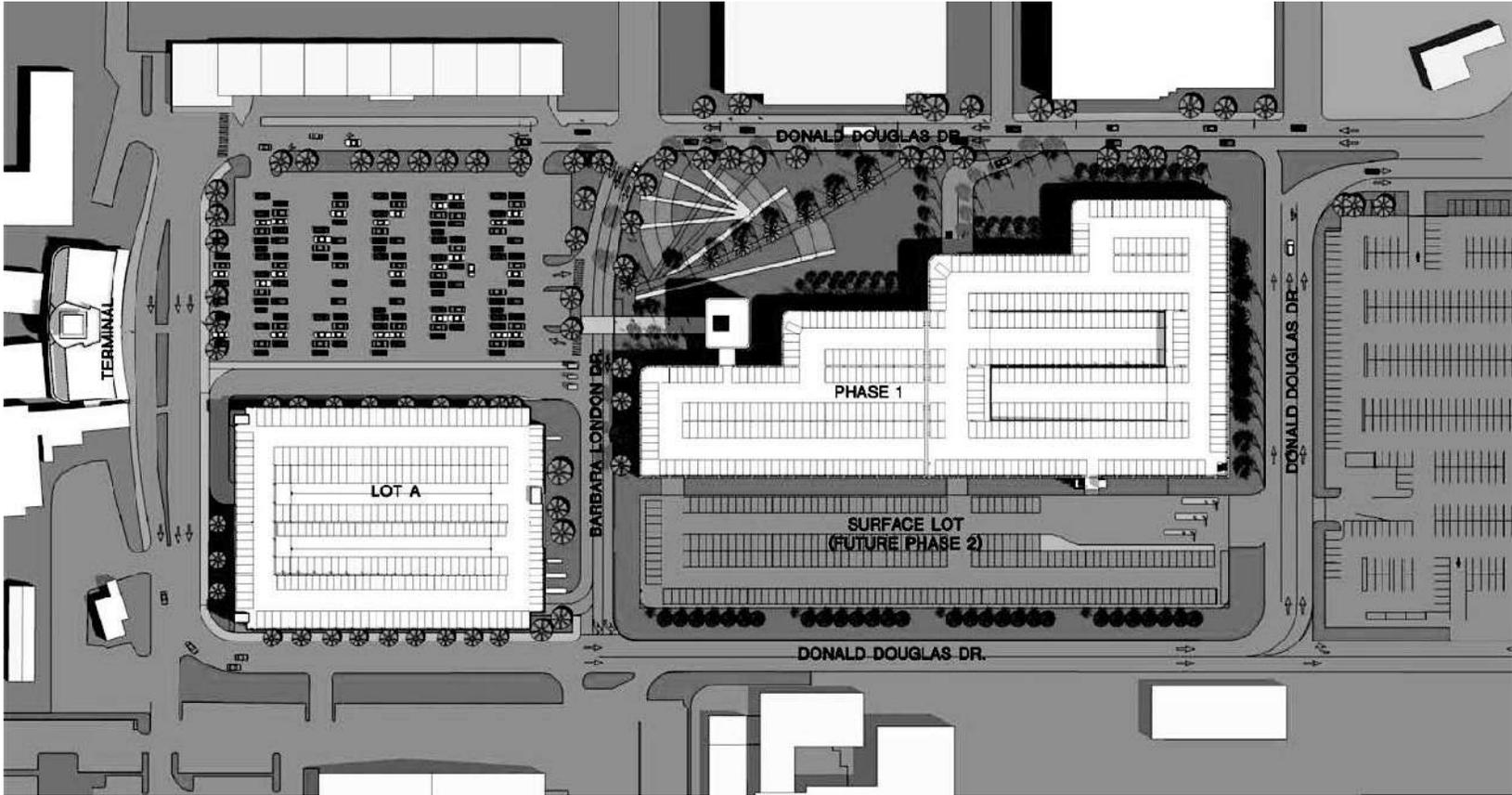
Potential future relocation of the Employee Lot would increase the total on-site air carrier passenger parking capacity to 3,800 parking spaces. The Car Rental Lot is planned for future relocation for the construction of a Transportation Center.

Exhibit III-2 presents the site plan for the Series 2009 Project.

3.3 Five-Year Airport Capital Improvement Plan (excluding the Series 2009 Project)

Excluding Phase I of the Structure, to be financed with the Series 2009 Bonds, the Airport's five-year capital improvement plan (FY 2009 through FY 2013) includes projects at a total cost estimate of approximately \$176 million, excluding GARB finance costs associated with the Terminal Project. Included in this total is the design and construction of the Terminal Project estimated at approximately \$39 million. The Terminal Project will provide for the construction of permanent facilities for passenger holdrooms, restrooms, concessions, and the consolidation of passenger security screening in one central location. Design and approvals are anticipated in FY 2010, with commencement of construction in early FY 2011. In the interim, the Airport will be utilizing approximately \$2 million of PFC funds for rehabilitation of the terminal building. A majority of the Terminal Project will focus on improvements and upgrades to the plumbing and other utilities in the historic 1941 terminal building.

A-79



Source: Watry Design, Inc., August 2009.
Prepared by: Watry Design, Inc., August 2009.

Exhibit III-2

Series 2009 Project

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

Through FY 2013, the Airport is planning several airfield rehabilitation projects. These projects include the following:

- Rehabilitation of Taxiways A, B, D, Taxiway G, Taxilane J, and access to Taxiways E and F;
- Widening of Taxiway B to 75-feet;
- Replacement of airfield signage;
- Rehabilitation of Runway 7R-25L and Runway 7L-25R.

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

Finally, the Airport is ultimately planning for the retrofit 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. This project was identified in a FY 2008 study undertaken by the Airport to assess the condition of the tunnels built in 1957. Estimated at approximately \$12 million, funding will come from a combination of AIP, ISTEAL loan, PFC, and local funds. As shown in **Table III-1**, the initial phase of the project includes improvements to the carbon monoxide monitoring system, emergency signage, and drainage at an estimated cost of \$1.9 million, funded by an ISTEAL loan and local funds.

The Airport's five-year capital improvement plan by project, cost, and year of completion is provided in **Table III-1**.

Table III-1

Five-Year Airport Capital Improvement Plan - Excluding the Series 2009 Project (\$000)

Project	Funding Sources	Fiscal Year Ended September 30					Total
		2009	2010	2011	2012	2013	
Terminal Improvements	GARBs	\$5,100	\$11,300	\$11,300	\$11,300		\$39,000
Air Carrier Ramp Improvements	AIP / PFC / Local Funds	6,600	6,600	6,600	6,600	6,600	33,000
Taxiways L & C /Islands at Taxiway C	Completed	31,000					31,000
Runway 7R-25L Rehabilitation	AIP / PFC	14,500	7,000				21,500
Taxiway K (Phase 1 through 3)	Completed	18,400					18,400
Taxiway G Rehabilitation	AIP / PFC	2,000	5,000	5,000			12,000
Taxiways A, B, & D	PFC	3,500	3,500				7,000
Quieter Home Project	PFC	700	700	700	700		2,800
Taxiway E & F Access Rehabilitation	AIP / PFC	500	1,000	1,000			2,500
Airfield Signage Replacement & Taxiway F Edge Lighting	AIP / PFC	1,120	1,120				2,240
Taxilane J Rehabilitation	AIP / PFC	1,025	1,025				2,050
Airfield Tunnel Improvements	ISTEA / Local Funds	600	1,300				1,900
Additional Security Cameras	TSA (reimbursement)	225	225				450
Ruway 7L-25R Rehabilitation	AIP / Local Funds	200	200				400
Airport Terminal Area Improvements	PFC		600	600	600	200	2,000
Total		\$85,470	\$39,570	\$25,200	\$19,200	\$6,800	\$176,240

Source: City of Long Beach, July 2009.

Prepared by: Ricondo & Associates, Inc., September 2009.

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IV. Financial Analysis

This chapter examines the financial structure of the Airport, cost of the 2009 Project, maintenance and operation expenses and nonairline revenue projections, airline rates and charges projections, airline cost per enplaned passenger projections, application of revenues, and the debt service coverage requirement.

4.1 Financial Structure

This section discusses the requirements and provisions of the Master Senior Trust Indenture (Indenture), the rate ordinance and commercial-use permits, and the Airport's accounting. Capitalized terms and words, unless specifically defined, have the same meanings as set forth in the Indenture and/or the Official Statement for the Series 2009 Bonds.

4.1.1 Bond Indenture

With the Series 2009 Bonds, the City will enter into a new Indenture to be dated December 1, 2009, as amended and supplemented from time to time. Key provisions of the documents, summarized below, include the pledge of net revenues for the repayment of the bonds, the flow of funds, the rate covenant, the additional bonds test, and required reserves. For more specific detail of the Indenture, please refer to Appendix C to the Official Statement for the Series 2009 Bonds.

In addition to the Indenture, the City currently has two other documents that govern previous bond issues: the Senior Lien Contract, which was adopted in 1993 in conjunction with the issuance of the City's Certificates of Participation (1993 Airport Refunding Project); and the Master Subordinate Trust Indenture dated November 1, 2004, which has been supplemented twice and relates to the Airport's Commercial Paper program. With the refunding of the 1993 Certificates of Participation through the issuance of the Series 2009B Bonds, the Senior Lien Contract will be extinguished and no longer in force.

4.1.1.1 Pledge of Net Revenues

The City pledges and grants to the Trustee a priority lien and security interest to: a) the Net Revenues generated by the operation of the Airport; b) monies held from time to time by the Trustee under the Indenture (except the Rebate Fund or, to the extent provided in a supplementary indenture, any Construction Fund whether or not held by the Trustee); c) earnings on amounts included in a) or b); and d) any and all funds, assets, rights, property or interests therein delivered or deposited with the Trustee as additional security.

Revenues are defined by the Indenture as, unless specifically excluded, all income, receipts, earnings and revenues received by the City from the operation and ownership of the Airport as determined in accordance with Generally Accepted Accounting Principals (GAAP). Revenues, including investment earnings thereon, specifically excluded from the definition of Revenues include ad valorem taxes imposed by the City; gifts, grants, and other income normally included in Revenues but restricted by their terms to purposes inconsistent with payment of debt service; insurance proceeds to the extent its use is inconsistent with the payment of debt service; and Special Facilities Revenue. Also excluded from the definition of Revenues, unless designated as Revenues under a supplemental indenture, are swap termination payments made to the City; facilities construction

credits; passenger facility charges (PFC); Federal Direct Payments; customer facility charges (CFC); Released Revenues; investment income on escrows created to defease bonds; any arbitrage earnings required to be paid to the federal government; and capitalized interest.

Net Revenues are defined as Revenues less Maintenance and Operation Costs, which are in turn defined as the reasonable and necessary costs paid or incurred by the City for the maintenance and operation of the Airport determined in accordance with GAAP, but excluding in all cases payments in lieu of taxes to be paid by the Airport to the City, depreciation, replacement and obsolescence charges or reserves therefore, any principal payment in respect of capital leases or indebtedness including bonds, amortization or intangibles, and any Maintenance and Operation Costs payable from monies other than Revenues.

Released Revenues are defined as revenues identified by the City Council and approved by resolution as being excluded from the definition of Revenues, accompanied by either:

- A certificate prepared by an Authorized City Representative showing Net Revenues for each of the two most recent completed Fiscal Years, after giving effect to the Released Revenues, were at least equal to the greater of a) the required deposits and payments in the flow of funds or b) an amount not less than 150 percent of the Average Aggregate Annual Debt Service payable each Fiscal Year for the remaining term of the then Outstanding Bonds; or,
- A certificate prepared by a Consultant demonstrating that estimated Net Revenues, after giving effect to the Released Revenues, for each of the three Fiscal Years following the adoption of a resolution to release revenues will not be less than the greater of a) the required deposits and payments in the flow of funds, or b) not less than 150 percent of the average Aggregate Annual Debt Service for each Fiscal Year for the remaining term of the then Outstanding Bonds.

“Federal Direct Payments” are defined as amounts payable by the federal government to the City, pursuant to Sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended in connection with the City’s issuance of any Bonds (generally referred to as Build America Bonds) with respect to the Airport, in lieu of any credit otherwise available to the owners of such Bonds.

The resolution and certificate must also be accompanied by: an opinion of Bond Counsel that the exclusion of Released Revenue will not, in and of itself, result in the interest on any Outstanding Bonds becoming federally taxable; and, written confirmation from the Rating Agencies requested to maintain ratings on the Outstanding Bonds that the Released Revenues will not cause a withdrawal or reduction of any unenhanced rating then assigned to the Outstanding Bonds.

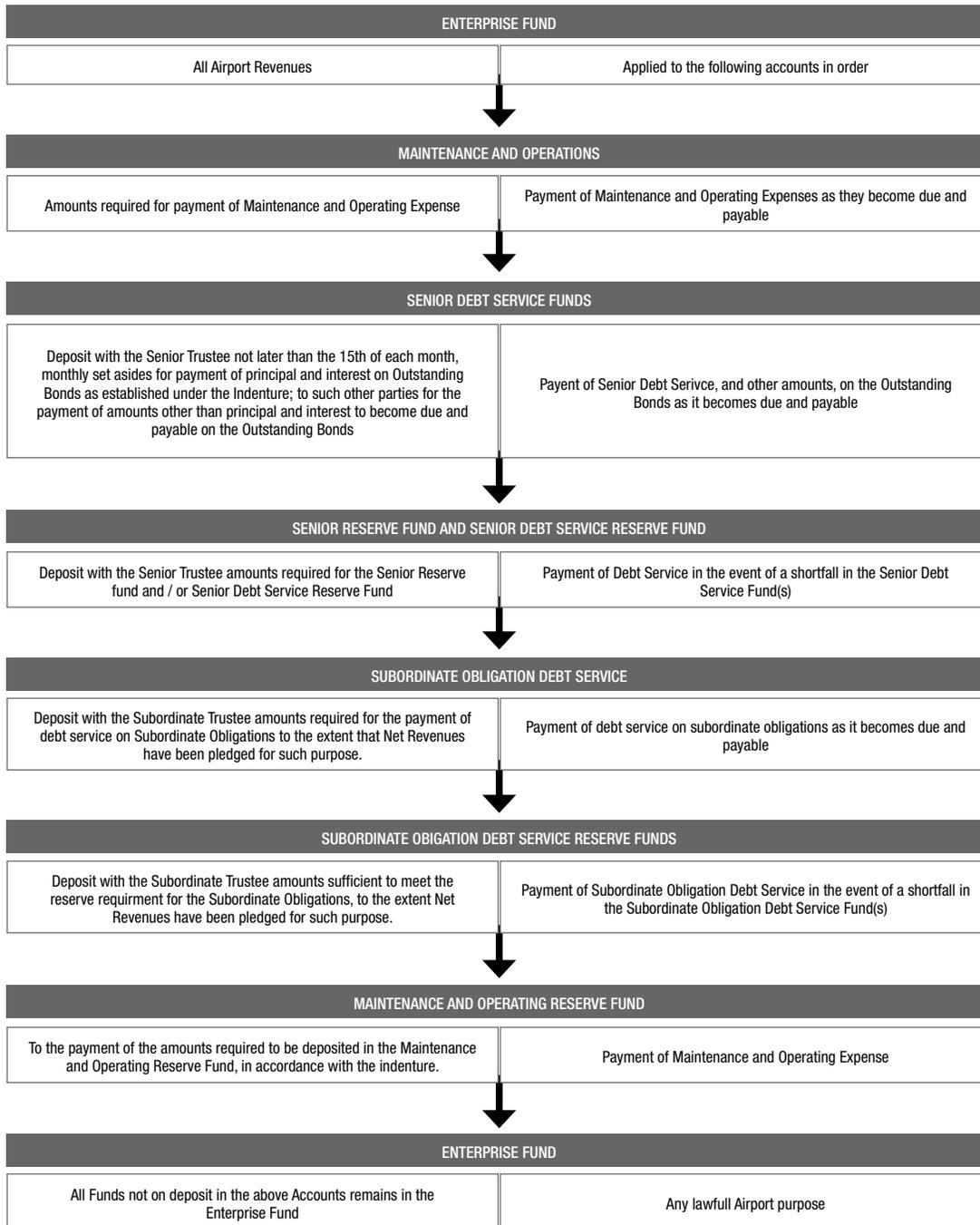
4.1.1.2 Flow of Funds

Section 4.02 of the Indenture creates certain funds and accounts and establishes the principal functions and uses of each fund and account. **Exhibit IV-1** presents the application of revenues as specified in the Indenture.

As stated in the Indenture, the City shall receive all Revenues in trust and deposit them in the Enterprise Fund maintained by the City Treasurer. Funds in the Enterprise Fund will be deposited or transferred to the following funds and accounts in order:

REQUIRED DEPOSITS

APPLICATION OF FUNDS



Source: Long Beach, October 2009.
Prepared by: Ricondo & Associates, Inc., October 2009.

Exhibit IV-1

Flow of Funds

- **Maintenance and Operating Costs.** Maintenance and Operating Costs will be paid from the Enterprise Fund as they become due and payable.
- **Senior Debt Service Funds; Other Amounts Due on Bonds.** To the Trustee for deposit in the respective Senior Debt Service Funds to provide for payment of principal and interest due on Outstanding Bonds, and to such other parties for payment of amounts other than principal and interest, due on Outstanding Bonds.
- **Senior Reserve Fund and Senior Debt Service Reserve Funds.** To the Senior Reserve Fund and the Senior Debt Service Reserve fund, if any, to meet the requirements established in the Indenture or Supplemental Indenture(s). The City has elected to establish a reserve fund for the Series 2009 Bonds. The City plans to fund the reserve from bond proceeds at the Reserve Requirement of approximately \$4.3 million. The City reserves the right to fund the reserve through a Reserve Fund Surety Policy in the future, at which time the amount held in the Series 2009A Reserve Fund equal to the Reserve Fund Surety Policy will be transferred to the Interest Account of the Series 2009A Senior Debt Service Fund.
- **Subordinate Obligation Debt Service.** To the Subordinate Trustee, Revenues sufficient for the payment of Subordinate Obligations, only to the extent that a specific pledge of Net Revenues has been made in writing to the payment of the Subordinate Obligations.
- **Subordinate Obligation Debt Service Reserve Funds.** To the Subordinate Trustee, Revenues sufficient to meet any Subordinate Obligation reserve requirement, only to the extent that a specific pledge of Net Revenues has been made in writing to the payment of the Subordinate Obligations.
- **Maintenance and Operating Reserve Fund.** To the payment of the amounts required to be deposited in the Maintenance and Operating Reserve Fund, in accordance with the Indenture.
- Any monies remaining in the Enterprise Fund and not on deposit in any of the funds or accounts listed above may be used by the City for any lawful purpose.

4.1.1.3 Rate Covenant

In Section 5.04 of the Indenture, the City covenants to set rates and charges so that the Net Revenues of the Airport provide resources at least equal to the Annual Debt Service on any Outstanding Bonds, required deposits to the Senior Reserve Fund or any Senior Debt Service Reserve Fund; the reimbursement or repayments owed to any Credit Provider or Liquidity Provider; interest and principal of any indebtedness other than Outstanding Bonds, including Subordinate Obligations; and payment of the reserve requirement for any indebtedness other than Outstanding Bonds, including Subordinate Obligations.

The City further covenants to set rates and charges so that Net Revenues of the Airport combined with any Transfer will generate resources equal to at least 125 percent of Aggregate Annual Debt Service on the Outstanding Bonds in each Fiscal Year. A Transfer is defined as the amount on deposit in the Coverage Deposit Account on the first day of each Fiscal Year and the amount of unencumbered funds on deposit, or anticipated to be on deposit, in the Enterprise Fund on the first day of each Fiscal Year. Such Transfer may not exceed 25 percent of Annual Debt Service on Outstanding Bonds each Fiscal Year.

4.1.1.4 Additional Bonds

Section 2.11 of the Indenture establishes the tests required for the issuance of bonds. In order to issue bonds, the City must present to the Trustee a certificate prepared by either:

- An Authorized City Representative showing that Net Revenues for any 12 consecutive out of the 18 consecutive months immediately preceding the date of issuance of the proposed Series of Bonds were at least equal to 125% of Maximum Aggregate Annual Debt Service of all Outstanding Bonds, Unissued Program Bonds, and the proposed Series of Bonds, calculated as if the proposed Series of Bonds and the full Authorized Amount of proposed but Unissued Program Bonds were then outstanding; or,
- A Consultant showing that 1) Net Revenues for the last audited Fiscal Year or for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Series of Bonds, equaled at least 125 percent of the sum of Aggregate Annual Debt Service for All Outstanding Bonds (not including the proposed Series of Bonds or proposed but unissued Program Bonds) for such period; and 2) for the period including the first full Fiscal Year without capitalized interest through the latter of i) the fifth full Fiscal Year following the issuance of the Series of Bonds or ii) the third full Fiscal Year without payment from capitalized interest, estimated Net Revenues for each Fiscal Year will at least equal 125 percent Aggregate Annual Debt Service with respect to all Outstanding Bonds, Unissued Program Bonds, and the proposed Series of Bonds (calculated as if the full amount of Unissued Program Bonds and the proposed Series of Bonds were then Outstanding).

For the second test described above, the Consultant may take into account Revenues from Projects or Airport Facilities reasonably expected to be available in the period for which estimates are provided, an increases in rates and charges, fees, or other sources of Revenue that have been approved by the City and will be in effect during the period which estimates are provided, and any other increases in Revenue the Consultant believes to be a reasonable assumption. The Consultant shall use assumptions regarding Maintenance and Operating Costs it believes to be reasonable based on historic Maintenance and Operating Costs, Maintenance and Operating Costs associated with Projects or other new Airport Facilities, and other factors including, but not limited to, inflation.

The City may issue bonds without either of the above-referenced certificates if (i) the issuance consists of: refunding bonds where Aggregate Annual Debt Service after the issuance of the refunding bonds will not exceed the Aggregate Annual Debt Service for each Fiscal Year prior to the issuance of the Refunding Bonds; (ii) the Bonds are issued as Notes and the aggregate total of the proposed and outstanding Notes do not exceed 10% of the Net Revenues for any 12 consecutive months of the 24 consecutive months immediately preceding the issuance of the Notes; or (iii) the proposed Bonds are for the completion of a project financed by a previous series of Bonds and the proposed Bonds do not exceed 15% of the principal amount of the original Bonds.

4.1.2 Rate Ordinance and Commercial Use Permits

The financial operations of the Airport are established by the annual adoption of a Rate Ordinance by the City Council and the granting of 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 thirty-days notice. Ticket counters and office space are granted on an exclusive use basis, while all other facilities, 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 M&O expense, 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.

The City has initiated discussions with the Airlines regarding the implementation of a use and lease agreement to codify the rate setting mechanism and align the Airport's operations with industry standards. The duration and/or outcome of these discussions is not known at this time. However, the City anticipates a structure similar to current practices. As a result, this report assumes the Airport's current rate setting practices remain in force through the forecast period.

4.1.3 Airport Accounting

The Airport operates as an enterprise fund of the City. As such, it does not use any City general revenue funds or property taxes. Rather, all costs to operate the Airport must be recovered from operations at the Airport, including rentals, concessions, and rates and fees adopted by the City Council. Operating revenues are divided into two types: negotiated revenues, which are derived from leases and commercial use permits, and resolution-based rates and fees which are adopted by the City Council.

The City Council adopted an Airport leasing policy in 1982 to serve as a guideline for negotiating leases. According to this plan, leasing practices and procedures are administered in a nondiscriminatory manner in accordance with FAA grant assurances and comply with City zoning regulations and the master land use plan for the Airport. In negotiating leases, the City maximizes revenues consistent with the application of standard real estate business practices, a fair market value return, and adherence to appropriate and available appraisal methods. Consideration is also given to the impact of aviation use restrictions.

The main objectives in determining Airport rates and fees are cost recovery and equitable cost allocation to user groups (based on use and in consideration of the market through a cost allocation process).

- **Land and Building Rent.** Revenue is received from the lease or rental of City-owned land at the Airport. Currently, there are thirty (30) master tenants. Rental rates are negotiated based on the size and type of development, the amount of investment, the appraised value of the land, and other factors. Some lease rental adjustments are made based on CPI rates, while others are based on changes in fair market or prevailing rate of return values. Lease revenues are also received from the lease of airport-owned land for non-aviation uses to tenants such as the Long Beach Airport Business Park (where the Marriott Hotel is located), Kilroy Industries, and Coast Storage Company. Rates vary from flat monthly lease payments to percentages of gross receipts. Additionally, the airlines pay rentals for the exclusive use of certain categories of space (including office) in the Terminal Building.

- **Parking Fees.** AMPCO System Parking Inc., (AMPCO) operates the Airport's parking lots on behalf of the City. The City receives 100% of gross receipts from AMPCO, and pays AMPCO a stipulated management fee based on staff hours at the Airport. Parking rates at the parking facilities located adjacent to the Terminal Building range from \$13 per day for Lot C, the most distant from the terminal doors, to \$17 per day for Lot A. The rate at remote long-term lot D is \$11 per day. The Airport's parking rates are established by City Council resolution, with the current rates placed in effect on October 1, 2008.
- **Concessions.** The restaurant in the Terminal Building is currently operated by SSP America and the gift shop is currently operated by The Paradies Shops. Revenue received from the restaurant is a percentage of the concessionaire's sales based on type of sale (i.e., food, beverage, gift, etc.).

The City receives, from car rental companies located in the Terminal Building, 10% of the gross revenues from car rental "time and mileage" charges. The City also receives 8% of gross revenues associated with Airport use from car rental companies located "off-terminal." Revenues are also received under license agreements with taxi, limousine, shuttle and bus services, and the "courtesy phone" reservation services.

The City receives a \$0.06 per gallon fuel flowage fee levied on aviation fuel delivered at the Airport to non-commercial operators. The fuel flowage fee rate is established by City Council resolution. Currently, there are approximately seven (7) oil and gas concessionaires.

- **Landing, Common Use, Gate Use and Ramp Fees.** Revenues are received from Airport landing fees which are based on aircraft weight and the time of day the landing occurs. Non-commercial and government operations are exempted from payment.

Common use fees are levied on the airlines for their use, in common, of certain categories of space (such as baggage claim and baggage makeup areas) in the Terminal Building. Common use fees are levied on individual passenger airlines on a per enplaned passenger basis.

Revenues are also received from Airport gate use charges and from Airport parking ramp charges. The Airport parking ramp charge is levied on aircraft that park at the terminal parking ramp but do not use a gate for commercial enplanements or deplanements. It is also levied on aircraft that park on the ramp overnight.

Under the Rate Ordinance, landing fees and gate use fees are calculated according to a "modified Airport residual" ratemaking methodology. Under this methodology, all revenues generated from Airport activities, other than airline revenues, are credited against total Airport costs. Airline rates and charges (specifically, the landing fee and the gate use fee) are then calculated so as to make up the difference. Therefore, total Airport revenues equal total identified Airport costs.

Rates are established by City Council resolution for landing fees, common use fees, gate use, and parking ramp charges. In 2007, the City embarked on a review of the rates and charges that it levies for the use of Airport facilities. Resulting from this review, certain categories of rates and charges (including all of the rates and charges paid by the airlines) were adjusted. The adjustments to rates and fees took effect on October 1, 2007.

4.2 Financing Plan

The City intends to finance the Series 2009 Project entirely with the Series 2009 Bonds. Other uses of the Series 2009 Bonds proceeds will be refunding the City's outstanding Certificates of Participation, refunding a portion of the outstanding Subordinate Airport Commercial Paper Notes, capitalized interest payments, establishment of a debt service reserve fund, and issuance costs.

4.2.1 Series 2009 Bonds

J.P. Morgan Securities, Inc provided bond summary statistics for the Series 2009 Bonds based on the final pricing of the Series 2009 Bonds:

- Fixed-rate bonds are expected to be issued on December 8, 2009: \$61.440 million in Senior Airport Revenue Bonds consisting of \$9.795 million Series 2009A Bonds (Tax-Exempt), \$6.755 million Series 2009B Bonds (Tax-Exempt Refunding), and \$44.890 million Series 2009C Bonds (Federally Taxable – Build America Bonds – Direct Payment to Issuer).
- The final maturity date of the Series 2009A Bonds is June 1, 2022. The final maturity date of the Series 2009B Bonds is June 1, 2016. The final maturity date of the Series 2009C Bonds is June 1, 2039.
- The first interest payment for the Series 2009A Bonds is due June 1, 2010 and the first principal payment is due June 1, 2012. The first interest payment for the Series 2009B Bonds is due June 1, 2010 and the first principal payment is due June 1, 2010. The first interest payment for the Series 2009C Bonds is due June 1, 2010 and the first principal payment is due June 1, 2022.
- The average coupon interest rate for the Series 2009A Bonds is 4.8 percent. The average coupon interest rate for the Series 2009B Bonds is 4.1 percent. The average coupon interest rate for the Series 2009C Bonds is 7.7 percent.
- The debt service reserve requirement is funded from bond proceeds.
- The construction fund is gross funded with proceeds from the Series 2009C Bonds.
- Capitalized interest on the Series 2009A Bonds and the Series 2009C Bonds through September 1, 2011 is gross funded with proceeds from the Series 2009A Bonds.

A listing of the sources and uses of funds for the Series 2009 Bonds is presented in **Table IV-1**.

4.2.2 Additional Bonds – Terminal Expansion Project

In addition to the Series 2009 Bonds, the City expects to issue additional bonds (Additional Bonds) during the projection period for the expansion of the Terminal Building in FY 2010/2011. Based on project costs developed by the City, Frasca & Associates developed the required bond issue size and debt service estimates based upon the following assumptions:

- Fixed-rate bonds are expected to be issued on or about December 1, 2010.
- The final maturity date of the Additional Bonds is June 1, 2040.
- The first interest payment is due June 1, 2011 and the first principal payment is due June 1, 2011.
- The average coupon interest rate is estimated to be 6.0 percent for the Additional Bonds.

Table IV-1

Estimated Sources and Uses of Funds

	Series 2009A Bonds	Series 2009B Bonds	Series 2009C Bonds	Series 2009 Bonds	Additional Bonds - Terminal Expansion
Sources					
Par Amount of Bonds	\$9,795,000	\$6,755,000	\$44,890,000	\$61,440,000	\$56,865,000
Net Premium/Original Issue Discount	(118,136)	119,162	0	1,026	0
Debt Service Reserve Fund Release	0	1,298,376	0	1,298,376	0
Total Sources	\$9,676,864	\$8,172,538	\$44,890,000	\$62,739,402	\$56,865,000
Uses					
Construction Fund	\$0	\$0	\$40,200,000	\$40,200,000	\$35,000,000
Debt Service Reserve Fund	828,474	571,347	3,796,854	5,196,675	4,148,838
Capitalized Interest	4,669,517	0	0	4,669,517	817,650
Refunding Escrow Deposits	4,000,000	7,488,311	0	11,488,311	16,332,000
Cost of Issuance	175,820	112,857	891,619	1,180,297	559,920
Contingency	3,053	23	1,526	4,603	6,592
Total Uses	\$9,676,864	\$8,172,538	\$44,890,000	\$62,739,402	\$56,865,000

Sources: J.P. Morgan Securities, Inc. (Series 2009 Bonds), November 2009.
Frasca & Associates, L.L.P. (Additional Bonds), October 2009.
Prepared by: Ricondo & Associates, Inc., November 2009.

- The debt service reserve requirement will be funded from bond proceeds. The investment rate on the debt service reserve fund is assumed to be approximately 3.0 percent.
- The construction period is net funded. The investment rate on the construction fund is assumed to be approximately 1.0 percent. These investment earnings are used to reduce the overall bond size.
- Capitalized interest is net funded and calculated through the completion of the Terminal Expansion Project. The capitalized interest funds are assumed to be reinvested at approximately 1.0 percent.

A listing of the sources and uses of funds for the Additional Bonds is also presented in Table IV-1.

4.2.3 Estimated Debt Service

Table IV-2 presents the actual debt service requirements resulting from the issuance of the Series 2009 Bonds, the estimated debt service requirements resulting from the issuance of the Additional Bonds, and the existing debt service associated with the 1993 Certificates of Participation. Annual debt service requirements are estimated to be approximately \$4.0 million on the Series 2009 Bonds and approximately \$4.1 million on the Additional Bonds, with total annual debt service estimated to be approximately \$8.1 million.

4.3 Maintenance and Operation Costs

The Airport's Maintenance and Operation (M&O or Operating) Costs increased from \$16.7 million in FY 2004 to \$24.6 million in FY 2008, a compounded annual growth rate of 10.1 percent during this period. The Airport's historical Operating Costs and the resulting Operating Costs per Enplaned Passenger are presented in **Table IV-3**.

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Table IV-2

Annual Debt Service (net of capitalized interest)^{1/}

	Actual	Estimated	Projected					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1993 Certificates of Participation								
Principal	\$825,000	\$870,000	\$0	\$0	\$0	\$0	\$0	\$0
Interest	464,270	420,545	187,000	0	0	0	0	0
Total 1993 Certificates of Participation	\$1,289,270	\$1,290,545	\$187,000	\$0	\$0	\$0	\$0	\$0
Series 2009A/C Bonds								
Principal	\$0	\$0	\$0	\$0	\$165,000	\$165,000	\$175,000	\$175,000
Interest	0	0	0	0	2,023,707	2,691,676	2,685,076	2,678,076
Total Series 2009A Bonds	\$0	\$0	\$0	\$0	\$2,188,707	\$2,856,676	\$2,860,076	\$2,853,076
Series 2009B Bonds								
Principal	\$0	\$0	\$855,000	\$905,000	\$925,000	\$960,000	\$995,000	\$1,040,000
Interest	0	0	122,109	228,450	201,300	173,550	135,150	95,350
Total Series 2009B Bonds	\$0	\$0	\$977,109	\$1,133,450	\$1,126,300	\$1,133,550	\$1,130,150	\$1,135,350
Additional Bonds - Terminal Expansion ^{1/}								
Principal	\$0	\$0	\$0	\$600,000	\$640,000	\$810,000	\$855,000	\$915,000
Interest	0	0	0	1,433,400	2,830,800	3,337,500	3,288,900	3,237,600
Total Additional Bonds	\$0	\$0	\$0	\$2,033,400	\$3,470,800	\$4,147,500	\$4,143,900	\$4,152,600
Total Annual Debt Service	\$1,289,270	\$1,290,545	\$1,164,109	\$3,166,850	\$6,785,807	\$8,137,726	\$8,134,126	\$8,141,026

Note:

1/ Debt service projections are preliminary and subject to change.

Sources: Kidder, Peabody & Company (1993 Certificates of Participation), 1993.

J.P. Morgan Securities, Inc. (Series 2009 Bonds), November 2009.

Frasca & Associates, L.L.P. (Additional Bonds), October 2009.

Prepared By: Ricondo & Associates, Inc., November 2009.

Table IV-3

Historical Operating Costs

Fiscal Year Ended	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Compounded Annual Growth Rate
Total Operating Costs (\$000)	\$16,705	\$18,942	\$20,629	\$23,162	\$24,571	10.1%
Enplaned Passengers (000)	1,479	1,521	1,413	1,446	1,440	(2.6%)
Operating Costs per Enplaned Passenger	\$11.30	\$12.45	\$14.60	\$16.02	\$17.06	10.8%

Source: City of Long Beach, June 2009.

Prepared by: Ricondo & Associates, Inc., June 2009.

Table IV-4 presents actual, budgeted and projected M&O Costs for FY 2008 through FY 2015. M&O Costs totaled \$24.6 million in FY 2008, and are budgeted to increase 4.2 percent to \$25.6 million in FY 2009. M&O Costs are estimated to increase another 4.9 percent, to \$26.8 million in FY 2010 and another 6.1 percent to \$28.5 million in FY 2011. This expected growth in M&O Costs include increases to personnel costs that reflect negotiated future pay increases based on respective staff contracts. From FY 2012 through FY 2015, M&O Costs are projected to increase at an annual rate of 3.5 percent, to \$29.4 million reflecting stability in staffing levels and City-provided services.

Furthermore, as the Airport expects savings from the elimination of bussing to Parking Lot D, the overall compounded annual growth rate for M&O Costs is projected to be 2.3 percent from FY 2009 through FY 2015. Major M&O Cost categories include:

- **Personnel Support.** Personnel support is the second largest M&O Cost category, representing 31.7 percent of the budget for FY 2009. Personnel expenses increased at an 11.7 percent compounded annual growth rate between FY 2004 and FY 2009 due to contractual based pay increases, rising benefit costs, and increased staffing levels in line with Airport services and address shortcomings with the baggage system. Personnel costs are expected to increase 16.4 percent in FY 2010 and 9.9 percent in FY 2011, and then increase at a 3.5 percent inflation rate from FY 2012 through 2015, as staff levels are expected to remain stable.
- **Materials, Supplies, and Services (MSS).** MSS costs increased at a 7.3 percent compounded annual growth rate between FY 2004 and FY 2009. MSS costs are expected to increase by a total of 11.4 percent in FY 2010 and FY 2011 from FY 2009 levels due to increased bussing to parking lot D to accommodate the construction of the new garage and an increased share of rental revenues payable to Boeing. In FY 2012, with the opening of the new facility and the elimination of bussing services, MSS costs are expected to decline by 32.7 percent. From FY 2012 through FY 2015, MSS costs are projected to increase at a 3.5 percent inflation rate.
- **City Services.** This category covers services provided by other City departments such as police and fire, and is the largest source of M&O Costs in FY 2009 at 40.6 percent of the budget. City services expenses experienced a 7.8 percent compounded annual growth rate between FY 2004 and FY 2009 due to the provision of expanded services and increased labor

Table IV-4

O&M Expenses

Category	Actual	Estimate	Projected					
	2008	2009	2010	2011	2012	2013	2014	2015
Personnel ^{1/}	\$7,879,883	\$8,116,710	\$9,451,500	\$10,385,747	\$10,749,248	\$11,125,472	\$11,514,863	\$11,917,884
Materials, Supplies & Services	6,456,983	6,921,452	6,823,142	7,072,301	7,319,832	7,576,026	7,841,187	8,115,628
Adjustment for Lot D- M,S&S	0	0	515,648	623,030	(2,130,000)	(2,204,550)	(2,281,709)	(2,361,569)
Internal Support (City Services)	10,133,772	10,396,416	9,733,582	10,074,257	10,426,856	10,791,796	11,169,509	11,560,442
New Terminal O&Ms	0	0	0	0	(198,000)	(198,000)	(198,000)	(198,000)
Other (excluding debt and capital)	100,220	164,427	312,589	323,529	334,853	346,572	358,702	371,257
Total O&M Expenses	\$24,570,858	\$25,599,005	\$26,836,461	\$28,478,864	\$26,502,789	\$27,437,316	\$28,404,552	\$29,405,642

Note:

1/ Personnel costs reflect negotiated future pay increases based on respective staff contracts.

Source: City of Long Beach, October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

costs at the underlying departments. City-provided service costs are expected to decrease by 6.4 percent in FY 2010, and then increase at a 3.5 percent inflation rate from FY 2010 through FY 2015.

- **New Terminal O&M Costs.** The Airport currently rents trailers for use as holdroom areas at an annual cost of \$198,000. When the terminal expansion project is completed at the Airport, this rental payment will be eliminated, resulting in annual savings of \$198,000 beginning in FY 2012.

4.4 Nonairline Revenues

Nonairline Revenues generated at the Airport increased from \$18.6 million in FY 2004 to \$22.9 million in FY 2008, representing a compounded annual growth rate of 5.4 percent during this period. Historical Nonairline Revenues and the resulting Nonairline Revenue per Enplaned Passenger are presented in **Table IV-5**.

Table IV-5

Historical Nonairline Revenues

Fiscal Year Ended	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Compounded Annual Growth Rate
Total Nonairline Revenues (\$000)	\$18,558	\$19,594	\$19,715	\$21,384	\$22,871	5.4%
Enplaned Passengers (000)	1,479	1,521	1,413	1,446	1,440	(2.6%)
Nonairline Revenue per Enplaned Passenger	\$12.55	\$12.88	\$13.95	\$14.79	\$15.88	6.0%

Source: City of Long Beach, June 2009.

Prepared by: Ricondo & Associates, Inc., June 2009.

Table IV-6 presents Nonairline Revenues for FY 2008 through FY 2015. Nonairline Revenues are budgeted to decrease from \$22.9 million in FY 2008 to \$21.6 million in FY 2009, a 5.4 percent decrease due to reduced local rental car demand and concession revenue. For the period from FY 2009 through FY 2015, Nonairline Revenues are projected to increase to \$26.7 million, equaling a 3.6 percent compounded annual growth rate. Major sources of Nonairline Revenues include:

- **Parking.** Parking is the largest source of Nonairline Revenues, representing more than 40 percent of the total nonairline revenues for FY 2009. The derivation of parking revenue projections, prepared by Ricondo & Associates, Inc., is discussed in greater detail in Section 4.4.1.
- **Fixed Base Operators (FBOs).** FBOs serve general and business aviation operators at the Airport, including the Boeing Company. FBO-derived revenues increased at a 7.5 percent compounded annual growth rate between FY 2004 and FY 2009 due to reset rental rates; and are projected to grow at a 3.0 percent compounded annual rate from FY 2009 through FY 2015.
- **Car Rental.** Car rental revenues represented approximately 13 percent of total Nonairline Revenues in FY 2009. However, due to the decline in demand from both travelers through the Airport and from local users of rental car services experienced in late FY 2008 and

Table IV-6

Nonairline Revenues

	Actual	Estimate	Projected					
	2008	2009	2010	2011	2012	2013	2014	2015
FBOs	\$5,459,452	\$5,081,080	\$5,100,000	\$5,278,500	\$5,463,248	\$5,654,461	\$5,852,367	\$6,057,200
Non-Aviation	2,616,369	2,492,348	2,500,000	2,587,500	2,678,063	2,771,795	2,868,808	2,969,216
Fuel Flowage Fees	285,090	212,122	300,000	300,000	300,000	300,000	300,000	300,000
Facility Rental	172,665	35,606	150,000	155,250	160,684	166,308	172,128	178,153
Parking	8,562,484	8,887,536	8,917,200	9,131,700	10,500,500	10,592,700	10,685,000	10,777,900
Car Rentals	3,585,415	2,883,153	2,800,000	2,938,277	3,063,984	3,199,080	3,339,879	3,486,839
Restaurant/Concessions	1,238,328	1,196,447	1,300,000	1,364,200	1,422,564	1,485,287	1,550,658	1,618,890
Ground Transportation	64,215	42,431	50,000	52,469	54,714	57,126	59,641	62,265
Expanded Terminal Concessions	0	0	0	0	150,000	156,614	163,507	170,701
Other	253,411	493,058	408,565	411,822	415,192	429,724	444,764	460,331
Interest Income	633,668	309,197	507,114	578,768	585,178	644,532	616,803	646,214
Total Nonairline Revenues	\$22,871,097	\$21,632,978	\$22,032,879	\$22,798,487	\$24,794,126	\$25,457,627	\$26,053,555	\$26,727,709

Source: City of Long Beach; Ricondo & Associates, Inc. (projected parking revenues), October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

FY 2009, revenue from car rentals declined at a 3.8 percent compounded annual rate between FY 2004 and FY 2009 period. Rental car revenues are expected to remain flat in FY 2010, and then increase at a 4.5 percent compounded annual rate from FY 2010 through FY 2015.

- **Nonaviation.** Nonaviation revenues include the leased property surrounding the Airport, which generated an estimated \$2.5 million in FY 2009. Based on escalation clauses in some of the leases and other factors, nonaviation revenues are projected to increase at a 3.5% compounded annual rate from FY 2009 through FY 2015.
- **Restaurant/Concessions.** The Airport experienced strong growth in its restaurant/concessions area between FY 2004 through FY 2009 due to the opening of a new restaurant in the pre-security area that has proved popular with both travelers and local patrons. Factoring in new concession space with the planned terminal improvements expected to come on line in FY 2012, restaurant/concession revenues are projected to grow at a 6.9 percent compounded annual growth rate from FY 2009 through FY 2015.

4.4.1 Derivation of Parking Revenue Projections

Future parking revenues were projected based on historical parking activity at the Airport, the passenger forecast developed as part of this study, parking rates and products offered at regional airports, and the future plans for parking infrastructure at the Airport. The first stage in the analysis involved developing a public parking demand profile and forecast of the Airport's parking system.

The current parking system is comprised of four facilities: Lot A, Lot B, Lot C, and remote Lot D. The Airport intends to construct a new facility (with both surface and garage components) with the schedule completion date for Phase 1 being September 30, 2011. The number of spaces in each facility during each phase of construction is summarized in **Table IV-7**, and a map of the Airport's parking system is shown in **Exhibit IV-2**. The footprint of the Series 2009 Project will be at the location of Lot B and Lot C. A demand profile was developed for each facility, which was used to estimate changes in demand in other parking facilities during certain conditions, such as the planned closure of Lot B and Lot C during construction of the Series 2009 Project.

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Table IV-7
Parking Spaces by Facility

	Number of Spaces		
	Current Pre- Construction (October 2007 – March 2010)	Construction Period (April 2010 – August 2011)	Post-Construction (September 2010 – September 2015)
Lot A	1,017	1,017	1,017
Lot B	366	-	-
Lot C	611	-	-
Lot D	2,142	2,142	-
New Garage (Phase 1)	N/A	N/A	1,989
New Surface (Phase 1)	N/A	N/A	239 ^{1/}
Total	4,136	3,159	3,245

Note:

1/ During Phase 1 of garage construction, 239 surface spaces will be provided at the location of the potential future Phase 2 construction.

Source: City of Long Beach, September 2009
Prepared by: Ricondo & Associates, Inc., September 2009

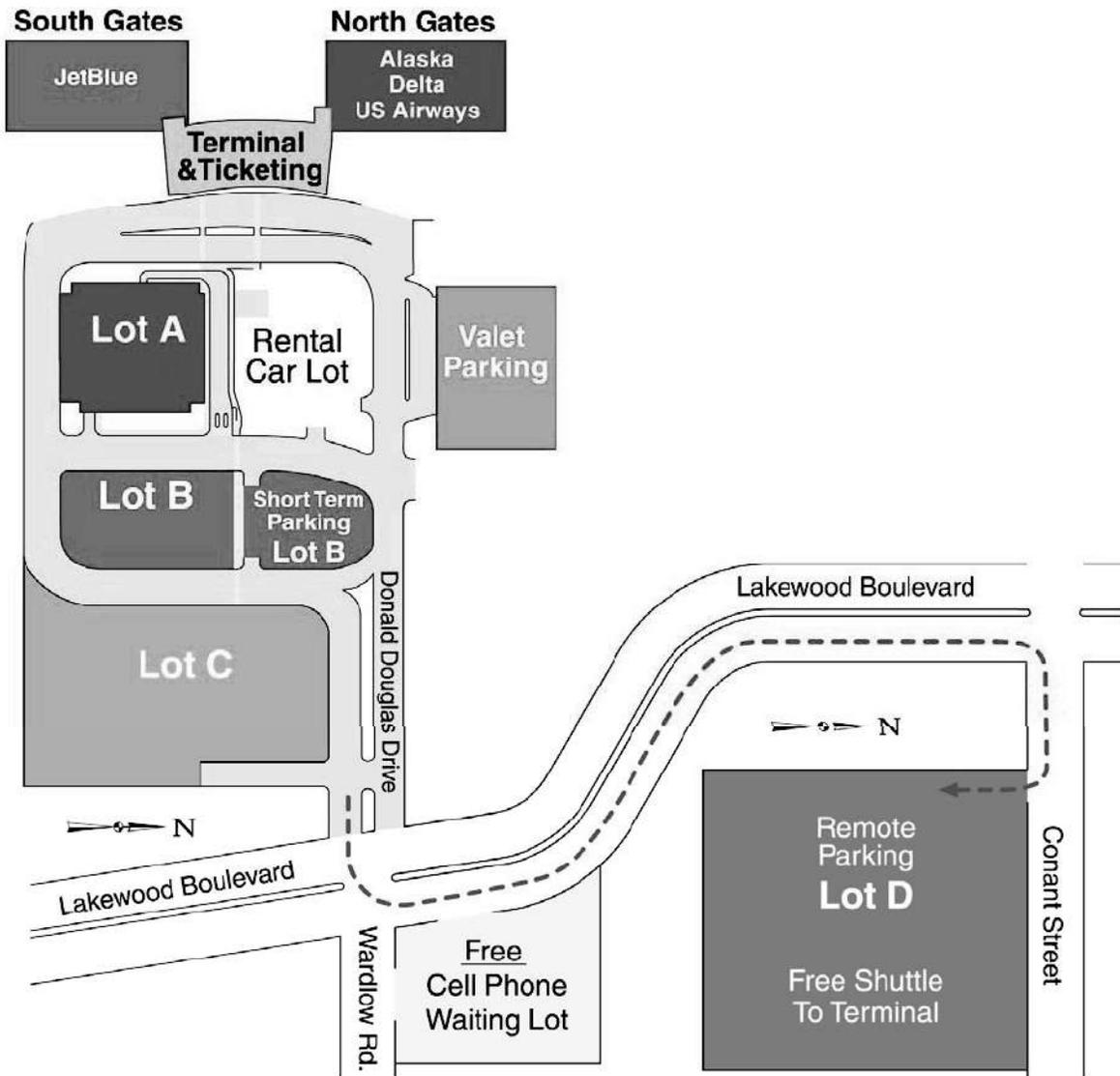
The regional competition for air travel within the Los Angeles region requires that current and potential future parking rates at the Airport be comparable to those offered at regional airports. **Table IV-8** provides a comparison of existing parking rates by service offering at the regional airports within the Los Angeles region. As shown, current maximum daily parking rates at the Airport are lower for each parking product compared to those at SNA, the Airport's closest regional competitor.

Table IV-8
Existing Parking Rates at Airports in the Los Angeles Region

	Daily Maximum Parking Rate by Facility Type		
	Short-term	Long-term	Economy
Long Beach Airport, LGB	\$17, \$15	\$13	\$11
John Wayne Airport (Orange County), SNA	\$20	\$17	\$14
Bob Hope-Burbank Airport, BUR	\$30	N/A	\$9
San Diego International Airport, SAN	\$21	\$16	\$10
Los Angeles International Airport, LAX	\$30	N/A	\$8, \$10
Ontario International Airport, ONT	\$18	\$13	\$9

N/A = Not Applicable

Source: Airport websites (as of June 12, 2009).
Prepared by: Ricondo & Associates, Inc. (June 2009).



Source: Long Beach Airport website (<http://www.longbeach.gov/airport/parking/pmap.asp>), June 2009.
Prepared by: Ricondo & Associates, Inc., June 2009.

Exhibit IV-2

Map of Parking Facilities

The majority of data used in the analysis was provided from the Airport's parking management contractor Ampco System Parking. Data were generally obtained from the Airport's parking revenue control system (PRCS), and includes the following reports for January 2007 through July 2009, unless otherwise noted:

- **Overnight counts:** Overnight counts of vehicles in each parking facility.
- **Daily tickets:** Number of tickets collected each day by exit lane for each parking facility.
- **Daily revenue:** Daily gross revenue collected by parking facility.
- **Duration reports:** Monthly tickets collected by facility and duration, October 2008 through February 2009.

The primary information used in this analysis was the maximum daily occupancy and the duration reports for each facility. The maximum daily occupancy for each lot was estimated by using daily overnight vehicle count, which were deemed to be reliable based on the data collection techniques employed by the parking management company, and then applying a surge factor. The surge factor was derived using hourly entrances (tickets given) and exits (tickets received) for the month of October 2007. The data were provided by the Airport, and were calculated by reviewing individual ticket data. Because this is a time-consuming and labor intensive process, it was not feasible for the parking operator to provide similar data for all months in 2007. However, October is believed to be a fairly typical month for parking demand and the utilization of a surge factor based on October data is believed to be a reasonable proxy for other months of the year.

Using the October dataset, the maximum daily occupancy for each October day in each lot was calculated. A simple linear regression model was used to establish a mathematical relationship between overnight vehicle counts and maximum daily occupancy. This relationship, or surge factor, was applied to the overnight vehicle counts to estimate the maximum daily occupancy.

The second type of data used in the analysis was a parking duration profile, which is simply the number of tickets collected (or exits) by length of stay. This information is typically recorded and reported on a monthly basis via the PRCS. This information is particularly important in a parking revenue analysis, since it is used to determine the changes in gross revenue expected from the different assumed pricing scenarios.

Five months of parking duration data were provided, from October 2008 through February 2009. However, all parking stays of more than 24 hours were aggregated into one category. A duration profile from a comparable medium hub airport was used to approximate the parking duration profiles for the Airport for transactions greater than 24 hours. These duration profiles were then calibrated to the Airport's rate structure and gross revenue reports. The duration data obtained for this analysis was compared and benchmarked against four months of data (November 2007 through February 2008) obtained previously.

It should be noted that no empirical data were made available to model price sensitivity to rate changes in the Airport's parking market. Because there are no off-Airport parking operations, it is our professional judgment that the Airport's parking market will be relatively inelastic with regard to minor price changes such as those assumed as part of this assessment. As part of the analysis, we compared current and potential future parking rates at the Airport to those provided at other airports within the Los Angeles region. However, as any modeled price changes become greater in magnitude, our confidence in our results are diminished since this Airport's parking market price sensitivity has not been quantified. Using our professional judgment, we made what we consider to

be reasonable assumptions on the likelihood of parkers to choose various parking products given the proposed parking rate changes and the attractiveness of the various new parking products. Included within our professional judgment was information garnered from the Airport's most recent parking rate change on October 1, 2008. However, the parking market may react different from the assumptions used in this analysis. Additionally, should off-airport competition enter the market in the future, the demand for on-Airport parking facilities could change.

With regard to choice of parking products under different construction phases, we made what we believe to be reasonable estimates when reassigning parking demand among facilities during and after the construction period. Tests were made in the model to make sure that each facility has sufficient capacity to meet demand. Preferred parking facility estimates were based on parking duration profiles, so parking demand from each facility is divided into three categories as follows:

- **Short-term:** Three hours or less.
- **Mid-term:** More than three hours, and less than 24 hours.
- **Long-term:** One day or more.

During the construction period, demand that would have chosen Lot B or Lot C was reassigned to Lot A and Lot D as follows:

- 100 percent of the remaining short-term parkers choose Lot A.
- 60 percent of the remaining mid-term parkers choose Lot D, 40 percent choose Lot A
- 95 percent of the remaining long-term parkers choose Lot D, 5 percent choose Lot A.

After the construction period, all short-term demand is assigned to Lot A (up to the available capacity), and the remaining parking demand is assigned to the New Garage and New Surface Facility. Natural growth in parking transactions and revenues is expected to occur in line with the enplanement forecast provided in Chapter II (Air Traffic).

The current use agreement between the City of Long Beach and the Boeing Company split revenues collected between the two parties, with no revenues provided to the Airport. We have assumed that Lot D ceases to operate once the new garage is operational. All gross revenues collected from Lot D are excluded as income to the Airport due to the current contract, in which revenues are shared between the Boeing Corporation and the City of Long Beach. The results of the revenue analysis are summarized in **Table IV-9**.

4.5 Airline Revenues

Table IV-10 presents Airline Revenues for FY 2008 through FY 2015. As described in the section on Airport Accounting, Airline Revenues are derived based on a modified Airport residual basis. Between FY 2004 and FY 2008, Passenger Airline Charges at the Airport increased at a 6.8 percent compounded annual rate, from \$5.6 million in FY 2004 to \$7.3 million in FY 2008. The Airport's FY 2009 estimate indicates Airline Revenues to increase by 7.5 percent to \$8.5 million, with the FY 2010 budget at \$9.2 million, or 7.6 percent over FY 2009. For the period FY 2010 through FY 2015, Airline Revenues are projected to increase at a compounded annual rate of 3.5 percent. The individual components of Airline Revenues are discussed below.

- **Terminal Rents.** The Airport receives terminal rents from the airlines, the FAA, and other entities for areas set aside for their exclusive use, such as ticket counters and offices. Terminal rental revenues declined by a 0.6 percent compounded annual rate between FY 2004 and FY 2009. Most of this decline is attributable to the termination of a lease for

Table IV-9

Long Beach Airport: Baseline Parking Revenue Forecast

	Fiscal Year (ending September 30)							
	2008	2009	2010	2011	2012	2013	2014	2015
Enplanements								
Enplanements	1,439,598	1,466,884	1,482,200	1,502,800	1,514,100	1,527,400	1,540,700	1,554,100
Annual Growth Rate	(0.5%)	1.9%	1.0%	1.4%	0.8%	0.9%	0.9%	0.9%
Gross Revenue								
<i>Pre-Construction Period (Oct 1, 2007 - March 31, 2010)</i>								
Lot A (FY 2008: \$17/day and \$1/hour) & (FY 2009: \$17/day and \$2/hour)	\$3,181,800	\$3,089,800	\$1,584,800					
Lot B (FY 2008: \$14/day and \$1/hour) & (FY 2009: \$15/day and \$2/hour)	\$1,550,000	\$1,539,300	\$789,500					
Lot C (FY 2008: \$11/day and \$1/hour) & (FY 2009: \$13/day and \$2/hour)	\$1,956,500	\$2,048,900	\$1,050,900					
Lot D (FY 2008: \$8/day and \$1/hour) & (FY 2009: \$11/day and \$2/hour)	\$1,825,900	\$2,105,000	\$1,079,600					
<i>Construction Period (April 1, 2010 - August 31, 2011)</i>								
Lot A (\$17/day; \$2/hour)			\$2,184,800	\$4,174,400				
Lot D (\$11/day; \$2/hour)			\$2,227,600	\$4,256,200				
<i>Post-Construction (Sept 1, 2011 - Sept 30, 2015)</i>								
Lot A (\$20/day; \$2/hour) ^{2/}				\$294,100	\$4,405,100	\$4,443,800	\$4,482,500	\$4,521,500
New Garage (\$17/day; \$2/hour)				\$386,500	\$5,789,000	\$5,839,800	\$5,890,700	\$5,941,900
New Surface (\$17/day; \$2/hour)				\$20,500	\$306,400	\$309,100	\$311,800	\$314,500
Sub-total	\$8,514,200	\$8,783,000	\$8,917,200	\$9,131,700	\$10,500,500	\$10,592,700	\$10,685,000	\$10,777,900
	-0.5%	3.2%	1.5%	2.4%	15.0%	0.9%	0.9%	0.9%
<i>Gross Revenue Adjustments</i>								
Lot D Revenue to City or Boeing ^{1/}	\$1,825,900	\$2,105,000	\$2,660,000	\$2,765,000				
Total Gross Revenue	\$6,688,300	\$6,678,000	\$6,257,200	\$6,366,700	\$10,500,500	\$10,592,700	\$10,685,000	\$10,777,900

Notes:

1/ All gross revenues collected from Lot D is excluded as income to the Airport due to the current contract, in which revenues are shared between the Boeing Corporation and the City of Long Beach.

2/ Maximum Daily Parking Rates for Lot A are assumed to increase to \$20/day in October 2010.

Sources: Long Beach Airport (historical Airport activity); Ricondo & Associates, Inc., October 2009.

Prepared by: Ricondo & Associates, Inc., October 2009.

Table IV-10

Airline Revenues and Passenger Airline Cost per Enplanement

	Actual	Estimate	Projected					
	2008	2009	2010	2011	2012	2013	2014	2015
O & M Expenses	\$24,570,858	\$25,599,005	\$26,836,461	\$28,478,864	\$26,502,789	\$27,437,316	\$28,404,552	\$29,405,642
Certificates of Participation Debt Service	1,289,270	1,290,545	187,000	0	0	0	0	0
Series 2009 Bonds Debt Service	0	0	977,109	1,133,450	3,315,007	3,990,226	3,990,226	3,988,426
Additional Bonds - Terminal Expansion	0	0	0	2,033,400	3,470,800	4,147,500	4,143,900	4,152,600
Capital Expenditures and Reserves	4,956,621	3,287,746	3,226,717	3,210,734	5,693,309	4,417,088	4,398,920	4,443,238
Total Requirement	\$30,816,749	\$30,177,296	\$31,227,286	\$34,856,448	\$38,981,905	\$39,992,130	\$40,937,599	\$41,989,906
Less								
Nonairline Revenues	22,871,097	21,632,978	22,032,879	22,798,487	24,794,126	25,457,627	26,053,555	26,727,709
Pledged PFC Revenue	0	0	0	2,541,750	4,338,500	4,340,500	4,333,250	4,342,125
Airline Requirement	7,945,652	8,544,318	9,194,407	9,516,212	9,849,279	10,194,004	10,550,794	10,920,072
Less								
Cargo Fees	674,484	567,162	606,732	627,968	649,946	672,695	696,239	720,607
Passenger Airline Revenues	\$7,271,168	\$7,977,156	\$8,587,675	\$8,888,244	\$9,199,333	\$9,521,309	\$9,854,555	\$10,199,465
Enplanements	1,439,598	1,452,200	1,482,200	1,502,800	1,514,100	1,527,400	1,540,700	1,554,100
Passenger Airline Cost per Enplanement	\$5.05	\$5.49	\$5.79	\$5.91	\$6.08	\$6.23	\$6.40	\$6.56
Airline Rates & Charges								
	Actual	Estimate	Projected					
	2008	2009	2010	2011	2012	2013	2014	2015
Terminal Rental Rate (per square foot)	\$1.25	\$1.50	\$1.50	\$1.55	\$1.61	\$1.66	\$1.72	\$1.78
Common Use Fee (per enplaned passenge)	\$1.50	\$1.75	\$1.75	\$1.81	\$1.87	\$1.94	\$2.01	\$2.08
Landing Fee - Day (per 1,000 pounds)	\$2.16	\$2.50	\$2.50	\$2.59	\$2.68	\$2.77	\$2.87	\$2.97
Landing Fee -Night (per 1,000 pounds)	\$4.61	\$5.30	\$5.34	\$5.49	\$5.72	\$5.88	\$6.12	\$6.30
Gate Use Fees (per 1,000 pounds)	\$0.64	\$0.75	\$0.75	\$0.78	\$0.80	\$0.83	\$0.86	\$0.89
Ramp Fee (per 1,000 pounds)	\$0.54	\$0.62	\$0.62	\$0.64	\$0.67	\$0.69	\$0.71	\$0.74

Source: City of Long Beach, November 2009.

Prepared by: Ricondo & Associates, Inc., November 2009.

the FAA that led to a 15.4 percent decrease in terminal rental revenues in FY 2005 from FY 2004, with terminal rental revenues then remaining fairly stable through FY 2007. In FY 2008, terminal rental revenues increased 11.1 percent over FY 2007, as the Airport raised its rental rates during this period. Terminal rental revenues are budgeted to increase further by 15.6 percent in FY 2010 due to another rental rate increase, and then increase at a 3.5% annual rate thereafter through FY 2015.

- **Landing Fees.** While the Airport does not operate with cost centers, per se, the landing fee generally recovers costs associated with the operations of the airfield. Landing fee revenues increased at a 7.1 percent compounded annual rate between FY 2004 and FY 2009. The Airport's landing fee was \$2.50 per thousand pounds of landed weight for FY 2009, with a higher rate of \$5.30 per thousand pounds of landed weight for operations between 10:00 pm and 7:00 a.m. Landing fee revenues are projected to increase at a 3.9 percent compound annual rate between FY 2009 and FY 2015.
- **Common Use Fee.** The Common Use Fee recovers the cost of common use facilities such as baggage claim and outbound baggage makeup areas; and is assessed on a per enplaned passenger basis. Common Use revenues increased at a 7.2 percent compounded annual rate between FY 2004 and FY 2009. The per enplaned passenger charge equaled \$1.75 for FY 2009. Common Use revenues are projected to increase at a 5.0 percent compounded annual rate between FY 2009 and FY 2015.
- **Gate Use Fee.** The Gate Use Fee is levied on commercial airlines that utilize the gates of the terminal to enplane and deplane passengers. It is set on a per thousand pounds landed weight basis, and equaled \$0.75 in FY 2009. Gate Use Fee revenue increased at an 8.6 percent compounded annual rate between FY 2004 and FY 2009. Gate Use Revenues are projected to increase at a 3.9 percent compounded annual rate between FY 2009 and FY 2015.
- **Ramp Fees.** Ramp fees are levied on aircraft that remain overnight (RON) at the Airport and aircraft that use the ramp but not the terminal facility. The fee is levied on a per thousand pounds landed weight basis. These fees generated an estimated \$222,694 in FY 2009, representing a 7.7 percent compounded annual growth rate between FY 2004 and FY 2009. For the period FY 2009 through FY 2015 income from Ramp Fees is projected to increase at a 2.0 percent compounded annual rate.

4.6 Passenger Airline Cost Per Enplanement

Table IV-10 also presents the projected trend in the Airport's passenger airline cost per enplanement between FY 2008 and FY 2015. Based on the estimates and calculations described in the preceding sections, the Airport's Cost Per Enplaned Passenger is projected to increase from \$5.49 in FY 2009 to \$6.56 in FY 2015.

4.7 Debt Service Coverage

As indicated in Section 4.1.1.3, the City covenants to set rates and charges sufficient to generate revenues that provide at least 1.0x coverage of annual debt service and all required deposits and, combined with any Transfer, 1.25x Aggregate Annual Debt Service on the Outstanding Bonds in each Fiscal Year. **Table IV-11** presents the cash flow of the Airport based on the estimates of revenues, expenses, capital expenditures, and debt service discussed above. Based on these

Table IV-11
Net Revenues and Debt Service Coverage

	Actual 2008	Estimate 2009	Projected					
			2010	2011	2012	2013	2014	2015
Landing Fees	\$4,420,115	\$4,837,652	\$5,129,679	\$5,309,218	\$5,495,040	\$5,687,367	\$5,886,425	\$6,092,450
Common Use	2,165,213	2,202,432	2,489,995	2,577,145	2,667,345	2,760,702	2,857,326	2,957,333
Gate Use	1,105,432	1,213,937	1,285,648	1,330,646	1,377,218	1,425,421	1,475,311	1,526,947
Ramp (RON)	186,949	222,694	210,951	218,334	225,976	233,885	242,071	250,544
Terminal Rent	67,943	67,603	78,134	80,869	83,700	86,629	89,661	92,799
Nonairline Revenues	22,871,097	21,632,978	22,032,879	22,798,487	24,794,126	25,457,627	26,053,555	26,727,709
Total Revenues	\$30,816,749	\$30,177,296	\$31,227,286	\$32,314,698	\$34,643,405	\$35,651,630	\$36,604,349	\$37,647,781
O&M Expenses	24,570,858	25,599,005	26,836,461	28,478,864	26,502,789	27,437,316	28,404,552	29,405,642
Net Revenues	\$6,245,891	\$4,578,291	\$4,390,826	\$3,835,834	\$8,140,616	\$8,214,314	\$8,199,797	\$8,242,139
Pledged PFC Revenue	0	0	0	2,541,750	4,338,500	4,340,500	4,333,250	4,342,125
Pledged Revenues	\$6,245,891	\$4,578,291	\$4,390,826	\$6,377,584	\$12,479,116	\$12,554,814	\$12,533,047	\$12,584,264
Certificates of Participation	\$1,289,270	\$1,290,545	\$187,000	\$0	\$0	\$0	\$0	\$0
Series 2009 Bonds	0	0	977,109	1,133,450	3,315,007	3,990,226	3,990,226	3,988,426
Additional Bonds - Terminal Expansion ^{1/}	0	0	0	2,033,400	3,470,800	4,147,500	4,143,900	4,152,600
Funds Remaining	\$4,956,621	\$3,287,746	\$3,226,717	\$3,210,734	\$5,693,309	\$4,417,088	\$4,398,920	\$4,443,238
Coverage Calculation								
Pledged Revenues	\$6,245,891	\$4,578,291	\$4,390,826	\$6,377,584	\$12,479,116	\$12,554,814	\$12,533,047	\$12,584,264
Plus								
Transfer Account (25% of Debt Service)	322,318	322,636	291,027	791,713	1,696,452	2,034,432	2,033,532	2,035,257
Pledged Revenues Available For Debt Service	\$6,568,209	\$4,900,927	\$4,681,853	\$7,169,296	\$14,175,568	\$14,589,246	\$14,566,578	\$14,619,521
Debt Service	\$1,289,270	\$1,290,545	\$1,164,109	\$3,166,850	\$6,785,807	\$8,137,726	\$8,134,126	\$8,141,026
Debt Service Coverage	5.09	3.80	4.02	2.26	2.09	1.79	1.79	1.80

Note:
1/ Debt service projections are preliminary and subject to change.

Source: City of Long Beach, November 2009.
Prepared by: Ricondo & Associates, Inc., November 2009.

calculations, Net Revenues available for debt service are estimated to exceed the Rate Covenant in each year of the projection period. As shown, over the FY 2010 to FY 2015 period, the Debt Service Coverage ratio is projected to range from a high of 4.02x in FY 2010 to a low of 1.79x in FY 2013 and FY 2014.

4.8 Sensitivity Analysis

An alternative scenario to the base case discussed above, involving a significant decline in passenger activity at the Airport, was developed to analyze the potential financial impacts to the Airport as measured by the passenger airline cost per enplaned passenger and the Debt Service Coverage ratio. For the purpose of this alternative scenario, it was assumed that JetBlue would discontinue its transcontinental service at the Airport. Specific assumptions used in the analyses are as follows:

- JetBlue's transcontinental service at the Airport would be discontinued on October 1, 2012 (e.g., the start of FY 2013). This action would result in the discontinuation of nonstop service from the Airport to Austin, Boston, Chicago, Fort Lauderdale, New York, and Washington, D.C. involving 10 slots allocated by the Airport to JetBlue. Over time, this transcontinental service will be re-initiated by JetBlue at alternative west coast facilities (e.g., LAX).
- JetBlue will not use any of these 10 slots for additional flights to existing West Coast corridor markets or new markets between FY 2013 and FY 2015. In addition, no incumbent or new entrant airlines will use any of these 10 slots during this same period.
- This eliminated service will reduce JetBlue's enplaned passengers and landed weight at the Airport by approximately 35 percent, resulting in a reduction in these activities of approximately 25 percent for the Airport overall.
- Given the 25 percent decrease in activity, the Airport will reduce Personnel and Internal Support (City Services) Operating Costs by 12.5 percent in FY 2013.
- Parking, car rental, and restaurant/concession revenues will decrease by 25 percent in FY 2013.
- The Airport's passenger cost per enplaned passenger will remain at the base case levels between FY 2013 and FY 2015.

Table IV-12 presents the cash flow of the Airport based on the alternative scenario and assumptions discussed above. As shown, Net Revenues available for debt service are estimated to exceed the Rate Covenant in each year of the projection period. As also shown, for the FY 2013 to FY 2015 period, the Debt Service Coverage ratio is projected to range from 1.32x to 1.36x under the alternative scenario, compared to 1.79x to 1.80x under the base case.

For the alternative scenario analysis, it was assumed that the Airport's passenger airline cost per enplaned passenger would remain at the base case levels between FY 2013 and FY 2015. This demonstrates the ability of the Airport to restrain costs passed onto the airlines while ensuring it meets its Rate Covenant and maintains Debt Service Coverage. Additionally, the results of this test indicate the Airport retains the flexibility to adjust its rates and charges higher and maintain its competitive position relative to other Southern California airports. For example, if the Airport increased airline rates and charges in FY 2013 to a level consistent with certain other Southern California airports (i.e., rates resulting in airline cost per enplaned passenger between \$9 and \$10), the projected Debt Service Coverage ratio would increase to range from 1.79x to 1.81x between FY 2013 and FY 2015 rather than 1.32x to 1.36x projected under the alternative scenario (see **Table IV-13**).

Table IV-12
Net Revenues and Debt Service Coverage - Sensitivity Analysis: Base Case Airline Cost Per Enplanement Scenario

	Actual	Estimate	Projected					
	2008	2009	2010	2011	2012	2013	2014	2015
Landing Fees	\$4,420,115	\$4,837,652	\$5,129,679	\$5,309,218	\$5,495,040	\$4,350,836	\$4,503,115	\$4,660,724
Common Use	2,165,213	2,202,432	2,489,995	2,577,145	2,667,345	2,111,937	2,185,855	2,262,360
Gate Use	1,105,432	1,213,937	1,285,648	1,330,646	1,377,218	1,090,447	1,128,613	1,168,114
Ramp (RON)	186,949	222,694	210,951	218,334	225,976	178,922	185,184	191,666
Terminal Rent	67,943	67,603	78,134	80,869	83,700	86,629	89,661	92,799
Nonairline Revenues	22,871,097	21,632,978	22,032,879	22,798,487	24,794,126	21,585,060	21,989,836	22,464,794
Total Revenues	\$30,816,749	\$30,177,296	\$31,227,286	\$32,314,698	\$34,643,405	\$29,403,831	\$30,082,264	\$30,840,457
O&M Expenses	24,570,858	25,599,005	26,836,461	28,478,864	26,502,789	24,697,658	25,569,006	26,470,851
Net Revenues	\$6,245,891	\$4,578,291	\$4,390,826	\$3,835,834	\$8,140,616	\$4,706,173	\$4,513,258	\$4,369,606
Pledged PFC Revenue	0	0	0	2,541,750	4,338,500	4,340,500	4,333,250	4,342,125
Pledged Revenues	\$6,245,891	\$4,578,291	\$4,390,826	\$6,377,584	\$12,479,116	\$9,046,673	\$8,846,508	\$8,711,731
Certificates of Participation ^{1/}	\$1,289,270	\$1,290,545	\$187,000	\$0	\$0	\$0	\$0	\$0
Series 2009 Bonds ^{1/}	0	0	977,109	1,133,450	3,315,007	3,990,226	3,990,226	3,988,426
Additional Bonds - Terminal Expansion ^{1/}	0	0	0	2,033,400	3,470,800	4,147,500	4,143,900	4,152,600
Funds Remaining	\$4,956,621	\$3,287,746	\$3,226,717	\$3,210,734	\$5,693,309	\$908,947	\$712,382	\$570,705
Coverage Calculation								
Pledged Revenues	\$6,245,891	\$4,578,291	\$4,390,826	\$6,377,584	\$12,479,116	\$9,046,673	\$8,846,508	\$8,711,731
Plus								
Transfer Account (25% of Debt Service)	322,318	322,636	291,027	791,713	1,696,452	2,034,432	2,033,532	2,035,257
Pledged Revenues Available For Debt Service	\$6,568,209	\$4,900,927	\$4,681,853	\$7,169,296	\$14,175,568	\$11,081,105	\$10,880,040	\$10,746,988
Debt Service	\$1,289,270	\$1,290,545	\$1,164,109	\$3,166,850	\$6,785,807	\$8,137,726	\$8,134,126	\$8,141,026
Debt Service Coverage	5.09	3.80	4.02	2.26	2.09	1.36	1.34	1.32

Note:

1/ Debt service projections are preliminary and subject to change.

Source: City of Long Beach, November 2009.

Prepared by: Ricondo & Associates, Inc., November 2009.

Table IV-13
Net Revenues and Debt Service Coverage - Sensitivity Analysis: Competitive Airline Cost Per Enplanement Scenario

	Actual	Estimate	Projected					
	2008	2009	2010	2011	2012	2013	2014	2015
Landing Fees	\$4,420,115	\$4,837,652	\$5,129,679	\$5,309,218	\$5,495,040	\$6,312,977	\$6,533,931	\$6,762,619
Common Use	2,165,213	2,202,432	2,489,995	2,577,145	2,667,345	3,064,379	3,171,632	3,282,640
Gate Use	1,105,432	1,213,937	1,285,648	1,330,646	1,377,218	1,582,217	1,637,595	1,694,911
Ramp (RON)	186,949	222,694	210,951	218,334	225,976	259,613	268,699	278,103
Terminal Rent	67,943	67,603	78,134	80,869	83,700	96,158	99,524	103,007
Nonairline Revenues	22,871,097	21,632,978	22,032,879	22,798,487	24,794,126	21,585,060	22,103,475	22,699,742
Total Revenues	\$30,816,749	\$30,177,296	\$31,227,286	\$32,314,698	\$34,643,405	\$32,900,404	\$33,814,856	\$34,821,022
O&M Expenses	24,570,858	25,599,005	26,836,461	28,478,864	26,502,789	24,697,658	25,569,006	26,470,851
Net Revenues	\$6,245,891	\$4,578,291	\$4,390,826	\$3,835,834	\$8,140,616	\$8,202,747	\$8,245,850	\$8,350,171
Pledged PFC Revenue	0	0	0	2,541,750	4,338,500	4,340,500	4,333,250	4,342,125
Pledged Revenues	\$6,245,891	\$4,578,291	\$4,390,826	\$6,377,584	\$12,479,116	\$12,543,247	\$12,579,100	\$12,692,296
Certificates of Participation ^{1/}	\$1,289,270	\$1,290,545	\$187,000	\$0	\$0	\$0	\$0	\$0
Series 2009 Bonds ^{1/}	0	0	977,109	1,133,450	3,315,007	3,990,226	3,990,226	3,988,426
Additional Bonds - Terminal Expansion ^{1/}	0	0	0	2,033,400	3,470,800	4,147,500	4,143,900	4,152,600
Funds Remaining	\$4,956,621	\$3,287,746	\$3,226,717	\$3,210,734	\$5,693,309	\$4,405,521	\$4,444,974	\$4,551,270
Coverage Calculation								
Pledged Revenues	\$6,245,891	\$4,578,291	\$4,390,826	\$6,377,584	\$12,479,116	\$12,543,247	\$12,579,100	\$12,692,296
Plus								
Transfer Account (25% of Debt Service)	322,318	322,636	291,027	791,713	1,696,452	2,034,432	2,033,532	2,035,257
Pledged Revenues Available For Debt Service	\$6,568,209	\$4,900,927	\$4,681,853	\$7,169,296	\$14,175,568	\$14,577,678	\$14,612,632	\$14,727,552
Debt Service	\$1,289,270	\$1,290,545	\$1,164,109	\$3,166,850	\$6,785,807	\$8,137,726	\$8,134,126	\$8,141,026
Debt Service Coverage	5.09	3.80	4.02	2.26	2.09	1.79	1.80	1.81

Note:

1/ Debt service projections are preliminary and subject to change.

Source: City of Long Beach, November 2009.

Prepared by: Ricondo & Associates, Inc., November 2009.

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APPENDIX B

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

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CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Financial Statements

September 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Honorable Mayor and City Council
The City of Long Beach, California:

We have audited the accompanying financial statements of the City of Long Beach Airport Enterprise Fund (the Airport) as of and for the years ended September 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed more fully in note 1 to the financial statements, the accompanying financial statements of the Airport Enterprise Fund are intended to present the financial position and the changes in financial position and cash flows attributable to the Airport Enterprise Fund. They do not purport to, and do not, present fairly the financial position of the City of Long Beach, California, as of September 30, 2009 and 2008, and the changes in its financial position and its cash flows thereof for the years ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Long Beach Airport Enterprise Fund as of September 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2010, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplemental information on page 38 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

August 10, 2010

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Management's Discussion and Analysis

September 30, 2009 and 2008

As management of the City of Long Beach Airport Enterprise Fund (the Airport), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2009 and 2008.

Background

The 1,175-acre Long Beach Airport is operated by the City of Long Beach as an enterprise fund of the City of Long Beach, California (the City), responsible for self-sufficiency through user fees, lease property-related income, and grants. As such, the Airport Enterprise Fund pays the City for all general purpose fund services it receives, such as police, fire, and other general services.

The Airport has a very broad base of users, including general aviation (private/corporate/business), scheduled airline and commuter service, air cargo, charter, and manufacturing-related operations. The Airport, in operation since 1923, is among the busiest general aviation airports in the world, with over 300,000 aircraft movements in 2009. The Airport's five airlines accommodated approximately 2.9 million annual passengers. The percentage of passenger activities by airline includes 78% JetBlue Airways, 10% Alaska Airlines/Horizon Air, 6% US Airways, and 6% Skywest/Delta Airlines. The cargo carriers (Federal Express, United Parcel Service, Catalina Flying Boats, and Airborne Express) transported approximately 36,200 tons of arriving and departing Air Cargoes. Aircraft manufacturing, including assembly of the Boeing C-17, and a completion center for Gulfstream Aerospace, account for over 6,000 of the jobs at the Airport.

In addition to the air transportation and economic output facets of the Airport, one of its primary guiding principles is neighborhood compatibility. Along with other "Green Airport" initiatives, Long Beach Airport has a Noise Compatibility Ordinance that is recognized as one of the most comprehensive and protective of the environment of any commercial service airport in the United States. As such, noise impact areas within the community, as defined by state and federal guidelines/regulations, are among the smallest in the region, and will be brought into conformance within the next several years by the Airport's Land Use Compatibility Program, currently under development.

Overview of the Financial Statements

The Airport's financial statements include the statements of net assets, the statements of revenues, expenses, and changes in net assets, and the statements of cash flows. These statements are supported by the notes to the financial statements. This overview and analysis is intended to serve as an introduction to the Airport's financial statements.

Condensed Financial Position Information

The statements of net assets present information concerning the Airport's assets, liabilities, and net assets. The difference between assets and liabilities is net assets. Increases or decreases in net assets may indicate improvement or deterioration of the Airport's financial condition.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Management's Discussion and Analysis

September 30, 2009 and 2008

The following condensed financial information provides an overview of the Airport's financial position as of September 30, 2009, 2008, and 2007:

Condensed Summary of Net Assets

	September 30		
	2009	2008	2007
Assets:			
Capital assets, net	\$ 131,585,213	118,672,259	102,341,301
Other assets	35,748,658	26,270,304	26,585,825
Total assets	167,333,871	144,942,563	128,927,126
Liabilities:			
Noncurrent liabilities, net	24,359,828	21,748,486	15,937,319
Other liabilities	8,160,491	3,981,356	5,913,281
Total liabilities	32,520,319	25,729,842	21,850,600
Net assets:			
Invested in capital assets, net of related debt	108,498,241	103,157,292	93,160,877
Restricted	12,390,641	4,915,574	4,757,825
Unrestricted	13,924,670	11,139,855	9,157,824
Total net assets	\$ 134,813,552	119,212,721	107,076,526

Analysis Fiscal Year 2009

The assets of the Airport exceeded its liabilities at the close of fiscal year 2009 by \$134,813,552 (net assets). Total net assets increased by 13% or \$15,600,831 compared to fiscal year 2008. This change is a combination of \$1,960,892 from operating loss, \$6,012,444 from net nonoperating revenues of which \$6,005,439 is from passenger facilities charges, \$77,403 from interest expense, net of income related to financing activities and \$352,640 from an operating security cooperative agreement, \$268,232 from other expenses, net of other income, and \$11,549,279 from Federal Aviation Administration capital grants.

The Airport's investment in capital assets (land, buildings and infrastructures, furniture and fixtures, machinery and equipment, and construction in progress) less any related debt is \$108,498,241 or 80% of the aggregate net assets. Investment in capital assets, net of related debt increased \$5,340,949 or 5% compared to fiscal year 2008. Capital assets, net increased \$12,912,954 compared to fiscal year 2008. The increase is primarily attributable to the rehabilitation of Taxiways K, D, L & C, the islands between Taxiway C and ramp, and other airport terminal development and modification projects. Capital assets facilitate tenant and airline operations, and the Airport does not intend to liquidate such capital assets to fund ongoing operations.

The Airport's total other assets increased by 36.1% or \$9,478,354 during fiscal year 2009 compared to the prior fiscal year's decrease of 1.2% or \$315,521. The increase in 2009 was the result of the following: Pooled cash and cash equivalents on non-restricted assets increased by \$3,497,514 due to decreased primarily related to the acquisition of fixed assets. Accounts receivable net of allowance for uncollectible accounts increased by \$866,261, which is primarily due to the increase in Jetblue's accounts receivable amounting to \$690,254 or

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79.7% of the increase in accounts receivable at September 30, 2009. Cash with fiscal agent increased by \$2,180,258 due to additional Commercial Paper issuance during fiscal year 2009. Passenger Facility Charges collections and receivables increased by \$4,449,592 and \$75,959 respectively because of the increased passenger facility charges rates from \$3.00 to \$4.50 effective May 1, 2008. Due from other governments decreased by \$1,525,529 due to timely processing of reimbursements from the Federal Aviation Administration. Long-term notes receivable decreased by \$67,801 due to transfers made to current notes receivable from Long Beach Business Park.

The Airport's total liabilities increased by 26% or \$6,790,477 compared to fiscal year 2008. The Airport's total long-term debt increased by \$7,572,005 primarily due to the issuance of \$8,300,000 of Commercial Paper Notes to finance improvements to Taxiway C and the islands at Taxiway C. The increase was offset by a \$870,000 principal repayment of the 1993 Refunding COP obligation and a decrease in accounts payable and accrued expenses of \$1,351,393 due to the timely submission and processing of invoices from vendors and contractors.

The Airport holds \$12,390,641 of net assets subject to external restrictions, an increase of \$7,475,067 or 152% when compared to September 30, 2008. The increase consists of a \$3,778,436 increase in amounts restricted for future capital projects from Passenger Facility Charges (PFC) and an increase of \$3,696,631 from unspent proceeds of Commercial Paper. Restricted net assets represent 9% of the Airport's total net assets and are presented in the statement of net assets as restricted net assets.

At the end of the current fiscal year, the Airport reported unrestricted net assets of \$13,924,670, an increase of \$2,784,815 or 25% from fiscal year 2008. The increase is a combination of a \$6,574,317 increase in the unreserved fund balance and a decrease in the long-term fund balance by \$3,789,503. Unrestricted net assets represent 10% of the Airport's aggregate net assets, and are not subject to external restrictions. Such unrestricted net assets are available to fund the Airport's continuing obligations.

Analysis Fiscal Year 2008

The assets of the Airport exceeded its liabilities at the close of fiscal year 2008 by \$119,212,721 (net assets). Total net assets increased by 11% or \$12,136,195 compared with fiscal year 2007. This change is a combination of \$828,759 from operating loss, \$5,437,469 from net nonoperating revenues of which \$4,979,180 is from passenger facilities charges, \$122,463 from interest income, net of expenses related to financing activities and \$287,875 from an operating security cooperative agreement, \$47,951 from other income, \$7,495,543 from Federal Aviation Administration capital grants, and \$31,942 capital grants from other sources.

The Airport's investment in capital assets (land, buildings and infrastructures, furniture and fixtures, machinery and equipment, and construction in progress) less any related debt was \$103,157,292 or 87% of the aggregate net assets at the close of fiscal year 2008. Investment in capital assets increased \$9.9 million or 11% compared to fiscal year 2007. Of this, \$4 million is primarily attributable to the rehabilitation of Taxiway K, Phases 1 and 2, and other airport terminal development and modification projects. Capital assets facilitate tenant and airline operations and the Airport does not intend to liquidate such capital assets to fund ongoing operations.

The Airport's total liabilities increased by \$3,879,242 or 18% compared to fiscal year 2007. The Airport's long-term debt increased by \$6,334,543 primarily due to the issuance of \$7,012,000 of Commercial Paper Notes to finance improvements to Taxiway C and the islands at Taxiway C. This increase was offset by a decrease in accounts payable of \$2,536,170 due to the timely submission and processing of invoices from vendors and contractors.

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The Airport held \$4,915,574 of net assets subject to external restrictions, an increase of \$157,749 when compared to fiscal year 2007. This increase consisted of a \$275,750 increase in amounts restricted for repayment of long-term debt and a decrease of \$118,001 in funds needed for construction of capital assets, fulfillment of contractual obligations, and matching requirements of federally funded projects. Such net assets represent 4% of the Airport's total net assets. They are presented in the statement of net assets as restricted net assets.

At the end of the fiscal year 2008, the Airport reported unrestricted net assets of \$11,139,855, an increase of \$1,982,031 from fiscal year 2007. This increase is a combination of \$12,136,202 from the current year change in net assets, reduced by approximately \$10,150,000 to fund various capital improvement projects and regular operations. Unrestricted net assets represent 9% of the Airport's aggregate net assets, and are not subject to external restrictions. Such unrestricted net assets are available to fund the Airport's continuing obligations.

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Summary of Operations and Changes in Net Assets

The statements of revenues, expenses, and changes in net assets show how the Airport's net assets changed during the current fiscal year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The table below summarizes the operations for the fiscal years 2009, 2008, and 2007.

Condensed Summary of Revenues, Expenses, and Changes in Net Assets

	September 30		
	2009	2008	2007
Operating revenues:			
Land and building rentals	\$ 7,851,198	8,365,197	7,213,688
Parking fees	8,778,840	8,562,484	8,030,908
Airport concessions	4,158,955	5,173,047	5,372,472
Landing, gate, and ramp fees	6,052,865	5,712,496	4,384,046
Other fees and charges	2,425,211	2,239,324	1,835,766
Total operating revenues	<u>29,267,069</u>	<u>30,052,548</u>	<u>26,836,880</u>
Operating expenses:			
Personnel services	8,214,510	7,997,820	7,676,956
Operations and maintenance	9,114,687	9,834,959	8,187,006
City services	6,979,004	6,595,852	6,324,244
General and administrative	1,074,620	1,401,731	856,631
Amortization expense	117,881	122,348	126,276
Depreciation	5,727,259	4,928,597	4,250,076
Total operating expenses	<u>31,227,961</u>	<u>30,881,307</u>	<u>27,421,189</u>
Operating income (loss)	<u>(1,960,892)</u>	<u>(828,759)</u>	<u>(584,309)</u>
Nonoperating revenues (expenses):			
Interest income (expense), net	(77,403)	122,463	450,236
Passenger facility charges	6,005,439	4,979,180	3,968,261
Operating security agreement	352,640	287,875	—
Other income (expense), net	(268,232)	47,951	27,625
Net nonoperating revenues	<u>6,012,444</u>	<u>5,437,469</u>	<u>4,446,122</u>
Income before capital grants	4,051,552	4,608,710	3,861,813
Federal Aviation Administration capital grants	11,549,279	7,495,543	12,013,424
Capital grants – other sources	—	31,942	260,268
Change in net assets	<u>15,600,831</u>	<u>12,136,195</u>	<u>16,135,505</u>
Total net assets – beginning	<u>119,212,721</u>	<u>107,076,526</u>	<u>90,941,021</u>
Total net assets – ending	<u>\$ 134,813,552</u>	<u>119,212,721</u>	<u>107,076,526</u>

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Analysis Fiscal Year 2009

Total operating revenues were \$29,267,069 for fiscal year 2009, a decrease of \$785,479 compared to fiscal year 2008. Land and building rentals decreased by 6%; parking fees increased by 3%; airport concessions decreased by 20%; and landing, gate, and ramp fees increased by 6%; other fees and charges increased by 8%. The decrease in operating revenues is primarily attributable to the decrease in the commissions received from the car rental companies operating within the Airport. This is primarily a result of reduced demand associated with the national recession.

Total operating expenses were \$31,227,961 for fiscal year 2009, an increase of \$346,654 over fiscal year 2008. Personnel services increased by \$216,690 or 3% primarily due to additional personnel in the Security and Maintenance and Facilities divisions. In addition, effective October 1, 2008, Special Services Officers received skill and marksmanship pay. Operations and maintenance expenses decreased by \$720,272 or 7% due to decreases in the electricity and power costs, contract security services, maintenance contracts, and other facilities services at the Airport. The increase in city services by \$383,152 or 6% is mainly due to the increase in fire services for fiscal year 2009. General and administrative expenses in fiscal year 2009 are lower by \$327,111 or 23% compared to fiscal year 2008. This decrease is due to reduced maintenance and service expenses for computers and equipment in fiscal year 2009 and reduced costs of insurance. Depreciable assets increased by about \$19.2 million during the fiscal year. As a result, depreciation expense increased by \$798,662 or 16% during the fiscal year.

Interest expense, net in 2009 decreased by \$199,866 due to lower interest rates prevailing in the market. Passenger facility charges increased by \$1,026,259 or 21% due to an increase in PFC fees from \$3.00 to \$4.50 per enplaned passengers effective June 1, 2008. This was accompanied by an increase in enplaned passengers. The operating security agreements increased \$64,765 or 22% due to the additional reimbursement of electrical and janitorial expenses from the Transportation Security Administration to the Airport. Other expense, net increased by \$316,184 as a result of provisions for pollution remediation costs for \$150,000, as directed by the Regional Water Quality Board and the Airport portion of the City's settlement with the State Water Resources Control Board for \$127,500.

The Federal Aviation Administration capital grants were \$11,549,279 for fiscal year 2009, an increase of \$4,053,736 over fiscal year 2008. The increase was provided by the Federal Aviation Administration approved grant funds.

Analysis Fiscal Year 2008

Total operating revenues were \$30,052,548 for fiscal year 2008, an increase of \$3,215,668 over fiscal year 2007. Land and building rentals increased by 16%; parking fees increased by 7%; airport concessions decreased by 4%; and landing, gate, and ramp fees increased by 30%. The increase in revenue is primarily attributable to the increase in rates and fees.

Total operating expenses were \$30,881,307 for fiscal year 2008, an increase of \$3,460,118 over fiscal year 2007. Personnel services increased by 4% due to additional personnel and salary increases of 1% effective October 1, 2007 and 2% effective April 1, 2008. Operations and maintenance expenses increased by 20% primarily related to \$1,102,926 increase in airport facility maintenance expenses and \$107,543 increase in the cost of electricity. City services increased by 4% due to the salary increases for fiscal year 2008, and three additional officers from

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the Police Department servicing the Airport. Depreciation expense increased by 16% due to the increase in additional depreciable assets of about \$32.6 million during the fiscal year.

Interest expense decreased due to reduction in principal balances as a result of payment. Interest income also decreased due to lower interest rates prevailing during the year.

The Federal Aviation Administration capital grants were \$7,495,543 for fiscal year 2008, a reduction of \$4,517,881 over fiscal year 2007. The reduction is due to the decrease in Federal Aviation Administration approved grant funds.

The airport received an additional \$31,942 from South Coast Air Quality Management District (SCAQMD), which was the cost of the installation of the five electric ground service equipment (GSE) chargers.

Notes to Financial Statements

The notes to the Airport's financial statements can be found on pages 16 – 37 of this report. These notes provide additional information that is essential for a full understanding of the financial statements.

Capital Assets and Debt Administration

Capital Assets

The Airport's investment in capital assets, net of accumulated depreciation as of September 30, 2009, 2008, and 2007 is as follows:

Summary of Capital Assets, Net

	September 30		
	2009	2008	2007
Land	\$ 6,363,728	6,363,728	6,419,114
Buildings and infrastructure	10,801,334	11,290,656	9,559,602
Runways and improvements	100,078,949	85,847,224	59,636,205
Machinery and equipment	2,921,489	2,734,215	3,004,011
Construction in progress	11,419,713	12,436,436	23,722,369
Total capital assets, net	<u>\$ 131,585,213</u>	<u>118,672,259</u>	<u>102,341,301</u>

Analysis Fiscal Year 2009

The Airport's investment in capital assets includes land, buildings and infrastructure, runways and improvements, machinery and equipment, and construction in progress. Capital assets, net of depreciation, increased by \$12,912,954 or 11% when compared with previous year. The biggest increase is in runways and improvements due to the completion of the rehabilitation of Taxiway D, K, L & C, and the islands between Taxiway C and the ramp. Construction in progress includes ongoing projects for the Airport terminal development, new parking structure, air carrier ramp reconstruction, taxi lane J, and the rehabilitation of Runway 7R-25L. Additional information regarding the Airport's capital assets can be found in note 3 to the financial statements.

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Analysis Fiscal Year 2008

The Airport's investment in capital assets includes land, buildings and infrastructure, runways and improvements, machinery and equipment, and construction in progress. Capital assets increased by 16% when compared to fiscal year 2007. The biggest increase is in runways and improvements due to the completion of the rehabilitation of Taxiway D and partial capitalization of the rehabilitation of Taxiways L and C. Construction in progress includes ongoing projects for the rehabilitation of Taxiways L and C, and the rehabilitation of Taxiway K, Phase 1 and 2.

Debt Administration

The following table summarizes the Airport's long-term debt (net of current portion) as of September 30, 2009, 2008, and 2007:

Long-Term Debt

	September 30		
	2009	2008	2007
1993 Refunding COP	\$ 7,480,000	8,350,000	9,175,000
Commercial paper	16,332,000	8,032,000	1,020,000
Unamortized discount – COP	(103,521)	(127,645)	(152,840)
Unamortized deferred loss – COP	(327,576)	(403,912)	(483,636)
Unamortized issuance costs – COP	(104,302)	(128,608)	(153,993)
Unamortized issuance costs – CP	(189,629)	(206,868)	(224,107)
Total long-term debt	23,086,972	15,514,967	9,180,424
Less current portion	(4,920,000)	(870,000)	(825,000)
Total long-term debt, net of current portion	\$ 18,166,972	14,644,967	8,355,424

The 1993 Refunding COP bonds have a Moody's and S&P A2 and A rating, respectively.

The Airport's Commercial Paper program is supported by an Irrevocable Transferable Letter of Credit from JPMorgan Chase Bank, NA which is currently rated:

	Long-term	Short-term	Outlook
Moody's	Aa1	P-1	Negative
S&P	AA-	A-1+	Negative
Fitch	AA-	F1+	Stable

Analysis Fiscal Year 2009

The Airport's total long-term debt increased by \$7,572,005 or 49% compared to fiscal year 2008. The increase was primarily due to the issuance of commercial paper for \$8,300,000 for the rehabilitation of Taxiway C, the islands between Taxiway C and the ramp and design of the new parking structure.

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Additional information of the Airport's long-term debt can be found in note 4 on pages 27 – 30 of this report.

Analysis Fiscal Year 2008

The Airport's total long-term debt increased by \$6,334,543 or 69% compared to fiscal year 2007. The increase was primarily due to the issuance of commercial paper for the rehabilitation of Taxiway C and the islands between Taxiway C and the Ramp.

Economic Factors/Outlook

The U.S. Bureau of Economic Analysis reports that the U.S. gross domestic product (GDP) dropped by 2.1% from September of 2008 to September of 2009. The economic recession and associated increases in unemployment have presented a challenge to the aviation industry as reduced economic activity has led to a decline in the demand for air travel.

Despite the national recession and its dramatic impact on the aviation industry, the Airport has maintained relatively stable traffic levels and posted solid financial performance. During fiscal year 2009, enplaned passengers at the Airport were 1.47 million, representing a 1.9% increase over fiscal year 2008 levels. General aviation activity, however, has decreased as the number of general aviation movements has fallen to 264,041 in fiscal year 2009 compared to 313,750 in fiscal year 2008. The Airport's third business line is rental income from its leasehold property which provides a diversified revenue portfolio. This diversity of income has allowed management to maintain user fees – including airline fees – to a level below the average for similar category airports even with a 15% increase in airline fees (excluding passenger facility charges) effective May 1, 2009.

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 Los Angeles CSA contains an estimated 18.4 million people and is the second largest metropolitan area in the United States. 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. Additionally, freeway/ground access makes Long Beach very convenient for its marketplace. Currently, Long Beach Airport has attracted an approximately 3.5% share of the market.

Long Beach Airport is also unique in that its Noise Compatibility Ordinance does put restrictions on airline activity, as determined by the airlines' generation of aircraft noise at various monitoring stations. 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. As of September 30, 2009, all of the Airport's 41 air carrier slots are being utilized and 9 of the 25 commuter slots are utilized.

Long Beach Airport's airline customer base/traffic is predominately origin and destination, thereby not being driven by the dynamics of airline hubbing operations. JetBlue Airways is the Airport's leading air carrier, maintaining its west coast base in Long Beach and serving 78.4% of the Airport's passengers in fiscal year 2009. Airline load factors for fiscal year 2009 averaged 78%.

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Because of Long Beach Airport's position in the market, and the activity restrictions resulting from the Noise Compatibility Ordinance (studies show that the demand to fly into and out of the Airport exceeds existing capacity) airline operations and related passenger activity should remain at Long Beach Airport.

Requests for Information

This financial report is designed to provide a general overview of the Airport's finances for people or entities interested in this area. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Administrative Officer, Long Beach Airport, 4100 Donald Douglas Drive, Long Beach, CA 90808.

FINANCIAL STATEMENTS

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Statements of Net Assets

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Assets	2009	2008
Current assets:		
Pooled cash and cash equivalents (note 2)	\$ 20,133,325	16,635,812
Investment – nonperforming	50,701	50,701
Accounts receivable, net of allowance for doubtful accounts of \$25,544 and \$22,381 in 2009 and 2008, respectively	2,214,281	1,348,020
Note receivable	70,826	68,725
Due from other governments	211,942	1,737,470
Total current assets	22,681,075	19,840,728
Noncurrent assets:		
Restricted assets:		
Cash with fiscal agents – commercial paper (notes 2 and 4)	2,247,760	67,503
Pooled cash and cash equivalents (notes 2 and 4)	9,602,090	5,152,498
Passenger facility charges receivable (note 6)	923,121	847,162
Note receivable	294,612	362,413
Capital assets, net (note 3)	131,585,213	118,672,259
Total noncurrent assets	144,652,796	125,101,835
Total assets	\$ 167,333,871	144,942,563
Liabilities and Net Assets		
Current liabilities – payable from unrestricted current assets:		
Accounts payable and accrued expenses	\$ 1,242,159	1,824,293
Accrued wages and compensated absences	265,126	234,315
Accrued interest payable	124,667	140,182
Current portion of long-term debt payable (note 4)	4,920,000	870,000
Pollution remediation – short-term liability (note 11)	150,000	—
Due to City of Long Beach (note 5)	252,020	108,623
Deferred revenue – current portion	858,004	463,348
Vendor deposits held in trust	348,515	340,595
Total current liabilities	8,160,491	3,981,356
Noncurrent liabilities:		
Payable from restricted assets:		
Accounts payable – passenger facility and commercial paper	382,330	1,151,589
Long-term debt, net of current portion (note 4)	18,166,972	14,644,967
Deferred revenue long-term portion	5,810,526	5,951,930
Total noncurrent liabilities	24,359,828	21,748,486
Total liabilities	32,520,319	25,729,842
Net assets:		
Invested in capital assets, net of related debt	108,498,241	103,157,292
Restricted for debt service	1,295,250	1,295,250
Restricted for capital projects	11,095,391	3,620,324
Unrestricted	13,924,670	11,139,855
Total net assets	134,813,552	119,212,721
Total liabilities and net assets	\$ 167,333,871	144,942,563

See accompanying notes to financial statements.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Land and building rentals	\$ 7,851,198	8,365,197
Parking fees	8,778,840	8,562,484
Airport concessions	4,158,955	5,173,047
Landing, gate, and ramp fees	6,052,865	5,712,496
Other fees and charges	2,425,211	2,239,324
Total operating revenues	<u>29,267,069</u>	<u>30,052,548</u>
Operating expenses:		
Personnel services	8,214,510	7,997,820
Operations and maintenance	9,114,687	9,834,959
City services	6,979,004	6,595,852
General and administrative	1,074,620	1,401,731
Amortization expense	117,881	122,348
Total operating expenses before depreciation	<u>25,500,702</u>	<u>25,952,710</u>
Operating income before depreciation	3,766,367	4,099,838
Depreciation (note 3)	<u>5,727,259</u>	<u>4,928,597</u>
Operating loss	<u>(1,960,892)</u>	<u>(828,759)</u>
Nonoperating revenues (expenses):		
Interest income	464,658	657,877
Passenger facility charges (note 6)	6,005,439	4,979,180
Interest expense	(542,061)	(535,414)
Operating security agreement	352,640	287,875
Other income (expense), net	(268,232)	47,951
Total nonoperating revenues, net	<u>6,012,444</u>	<u>5,437,469</u>
Changes in net assets before capital contributions	4,051,552	4,608,710
Capital contributions – Federal Aviation Administration capital grants	11,549,279	7,495,543
Capital contributions – other sources	—	31,942
Changes in net assets	<u>15,600,831</u>	<u>12,136,195</u>
Net assets, beginning of year	<u>119,212,721</u>	<u>107,076,526</u>
Net assets, end of year	\$ <u><u>134,813,552</u></u>	<u><u>119,212,721</u></u>

See accompanying notes to financial statements.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Statements of Cash Flows

Years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 28,661,980	30,624,335
Payments for employee salaries and benefits	(8,183,699)	(7,954,768)
Payments for goods and services	(11,397,303)	(13,788,541)
Payments for City services	<u>(6,979,004)</u>	<u>(6,595,852)</u>
Net cash provided by operating activities	<u>2,101,974</u>	<u>2,285,174</u>
Cash flows from noncapital financing activities:		
Security agreement received from the Federal Aviation Administration	352,640	287,875
(Payments) receipts from other nonoperating activities	<u>(118,232)</u>	<u>47,951</u>
Net cash provided by noncapital financing activities	<u>234,408</u>	<u>335,826</u>
Cash flows from capital and related financing activities:		
Acquisitions of capital assets	(18,640,213)	(21,259,555)
Payments received from the note receivable	65,700	61,639
Receipts from passenger facility charges	5,929,480	4,737,072
Proceeds from commercial paper	8,300,000	7,012,000
Capital grants received from the Federal Aviation Administration	13,074,807	8,202,158
Capital grants from other sources	—	31,942
Principal payment on debt due to Long Beach Capital Improvement Corporation	(870,000)	(825,000)
Interest paid	<u>(533,452)</u>	<u>(549,989)</u>
Net cash provided by (used in) capital and related financing activities	<u>7,326,322</u>	<u>(2,589,733)</u>
Cash flows from investing activities – interest earned	<u>464,658</u>	<u>632,371</u>
Net increase in cash and cash equivalents	10,127,362	663,638
Cash and cash equivalents, beginning of year	<u>21,855,813</u>	<u>21,192,175</u>
Cash and cash equivalents, end of year	\$ <u><u>31,983,175</u></u>	\$ <u><u>21,855,813</u></u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Pooled cash and cash equivalents	\$ 20,133,325	16,635,812
Restricted assets:		
Cash with fiscal agent	2,247,760	67,503
Pooled cash and cash equivalents	<u>9,602,090</u>	<u>5,152,498</u>
Total cash and cash equivalents	\$ <u><u>31,983,175</u></u>	\$ <u><u>21,855,813</u></u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (1,960,892)	(828,759)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	5,727,259	4,928,597
Amortization expense	117,881	122,348
Changes in assets and liabilities:		
Increase (decrease) in assets:		
Accounts receivable	(866,261)	503,714
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,351,393)	(2,536,171)
Accrued wages and compensated absences	30,811	43,052
Due to the City of Long Beach	143,397	(15,680)
Deferred revenues	253,252	(26,296)
Vendor deposits held in trust	<u>7,920</u>	<u>94,369</u>
Total adjustments	<u>4,062,866</u>	<u>3,113,933</u>
Net cash provided by operating activities	\$ <u><u>2,101,974</u></u>	\$ <u><u>2,285,174</u></u>

See accompanying notes to financial statements.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Notes to Financial Statements

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(1) Reporting Entity and Summary of Significant Accounting Policies

(a) *Organization and Operations of the Reporting Entity*

The City of Long Beach (the City) is a municipal corporation organized and existing under its Charter and the Constitution and the laws of the State of California. The Long Beach Airport Enterprise Fund (the Airport) is operated by the City and is under the direction of the City Manager.

The Airport originated in 1923 when the City Council set aside 150 acres of property to provide for the general and commercial aviation needs of the City. During the late 1940s and 1950s, major land acquisitions enabled the Airport to grow to its present 1,175 acres.

The Airport is strategically located between the major business and tourism areas of both Orange and Los Angeles Counties. There are currently approximately 200 businesses located on Airport property.

The Airport constitutes part of the overall financial reporting entity of the City; accordingly, the Airport's financial statements are included as an enterprise fund in the City's comprehensive annual financial report (CAFR). The control and management of the Airport is vested in the City Council who is advised by a Council-approved nine-member Airport Advisory Commission. The City's CAFR may be obtained by contacting the City's Department of Financial Management at 333 W. Ocean Blvd., Long Beach, CA 90802.

(b) *Basis of Accounting and Measurement Focus*

The Airport reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Airport is that the costs of providing services to its citizens on a continuing basis be financed or recovered primarily through fees charged in providing Airport services, capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues result from exchange transactions associated with the principal activity of the Airport. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grant funding and investment income, result from nonexchange transactions, in which the Airport gives (receives) value without directly receiving (giving) value in exchange. Additionally, passenger facility charges are imposed by the Airport on paying passengers enplaned by the air carriers as authorized by the Federal Aviation Administration. These revenues finance eligible Airport projects to be carried out. The authority is based on the application submitted by the Airport and that the amounts and duration of the passenger facility charges will not result in excess revenues.

(c) *Financial Reporting and Implementation of New Accounting Pronouncements*

The Airport's financial statements are presented in conformance with the provisions of the Governmental Accounting Standards Board (GASB). The following summarizes implemented GASB pronouncements and their impact, if any, on the financial statements:

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In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Application of this statement was effective for the fiscal year ended September 30, 2008 and the additional disclosure required by GASB 45 can be found in note 8.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. The statement focuses on the current or potential detrimental effects of existing pollution through participation in pollution remediation activities such as site assessments and clean-ups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care and nuclear power plant decommissioning. The requirements of this statement are effective for financial statements periods beginning after December 15, 2007, and include measurement of pollution remedial liabilities at the beginning of the fiscal period as to restate beginning net assets. Governments with sufficient objective verifiable information to apply expected cash flow techniques to determine prior period liabilities are required to do for all periods presented. Application of this statement is effective for the Airport's fiscal year ending September 30, 2009 and the additional disclosure required by the implementation of GASB Statement No. 49 can be found in note 11.

The Airport is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Application of this statement is effective for the Airport's fiscal year ending September 30, 2010.

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In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Application of this statement is effective for the Airport's fiscal year ending September 30, 2011.

Under GASB, enterprise funds, such as the Airport, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The Airport has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

(d) Assets, Liabilities, and Net Assets

1. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in the Airport's net assets during the reporting period. Actual results could differ from those estimates.

2. Pooled Cash and Cash Equivalents

In order to maximize investment return, the Airport pools its available general cash with that of the City. The cash management pool is used essentially as a demand deposit account by the participating units; therefore, the Airport has defined cash and cash equivalents as pooled cash and investments, including restricted pooled cash and investments. Investment decisions are made by the City Treasurer and approved by a general investment committee.

Interest income and realized gains and losses arising from such pooled cash and investments are apportioned to each participating unit based on the relationship of an individual unit's respective daily cash balances to aggregate pooled cash and investments. The Airport's share of pooled cash and investments at September 30, 2009 and 2008 was based on fair value.

3. Accounts Receivable and Allowance for Uncollectible Accounts

The Airport extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the Airport uses the allowance method for the reservation and write-off of those accounts.

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4. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The Airport's policy has set the capitalization threshold for reporting capital assets at \$5,000. Amortization/depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	50 years
Structures and facilities	10 to 35 years
Runways and improvements	20 years
Automobiles	2 to 6 years
Automotive equipments	10 to 20 years
Machinery and equipment	5 to 20 years
Office, furniture, and fixtures	3 to 20 years

5. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Investment in Capital Assets, Net of Related Debt** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted for Debt Service** – This component of net assets consist of a reserve fund, equal to the least of 10% of the outstanding principal of the 1993 obligation, the maximum annual debt service on the 1993 Obligation, or 125% of the average outstanding debt service on the 1993 Obligation.
- **Restricted for Capital Projects** – This component of net assets consists of restrictions placed on cash and cash equivalents for use of future Airport-related capital projects.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of restricted assets listed above.

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(2) Pooled Cash and Cash Equivalents and Investments

The Airport's cash and cash equivalents and investments as of September 30, 2009 and 2008 are classified in the accompanying statement of net assets as follows:

	<u>2009</u>	<u>2008</u>
Pooled cash and cash equivalents	\$ 20,133,325	16,635,812
Pooled cash and cash equivalents, restricted	<u>9,602,090</u>	<u>5,152,498</u>
Total pooled cash and cash equivalents	29,735,415	21,788,310
Restricted cash with fiscal agents – commercial paper	<u>2,247,760</u>	<u>67,503</u>
Total pooled cash and cash equivalents and cash with fiscal agents	<u>\$ 31,983,175</u>	<u>21,855,813</u>

The majority of the Airport's cash and cash equivalents, including restricted cash, are pooled with the other City's funds and maintained by the City Treasurer. The City requires the Airport to participate in the City Treasurer's pool. As of September 30, 2009 and 2008, the Airport's pooled cash and investments amounted to \$29,735,415 or 1.75% and \$21,788,310 or 1.28% of the City's pooled cash and investments, respectively. The City's pooled cash and investments as of September 30, 2009 and 2008 are \$1,696,159,000 and \$1,703,565,000, respectively.

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(a) Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provision of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Bonds issued by the City	5 years*	30%	None
U.S. Treasury notes, bonds, or bills	5 years*	None	None
Registered state warrants or treasury notes or bonds of the State of California	5 years*	30%	None
Local agency bonds	5 years*	30	None
Federal agency securities	5 years*	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25	10
Negotiable certificates of deposit	5 years*	30	10
Time certificates of deposit	5 years*	100	10
Repurchase agreements	90 days	100	None
Reverse repurchase agreements	92 days	20	None
Securities lending program	92 days	30	None
Medium-term notes	5 years*	20	10%
Money market funds	N/A	—	10
Local Agency Investment Fund (LAIF)	N/A	None	\$40 million
Asset-backed securities	5 years	20%	None
Mortgage-backed securities	5 years	20	None

* Maximum maturity of five (5) years unless a longer maturity is approved by the City Council, either specifically or as part of an investment program, at least three (3) months prior to purchase.

(b) Investments Authorized by Debt Agreement

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements.

(c) Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing

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or coming closer to maturing evenly over time as necessary to provide cash flow and liquidity needed for operations.

The following schedule indicates the interest rate risk of the City's investments as of September 30, 2009 and 2008 (in thousands):

<u>Investment Type</u>	<u>Fair Value at September 30, 2009</u>	<u>Weighted Average Maturity (in years)</u>	<u>Fair Value at September 30, 2008</u>	<u>Weighted Average Maturity (in years)</u>
Cash and Investments in City Pool				
Inter-department loan				
(Health Savrs)	\$ 2,654	9.604	2,892	10.600
US Treasury Notes	930,125	0.505	55,816	0.410
Federal Agency securities	592,312	0.500	1,289,369	1.960
Medium-term notes	—	—	84,148	0.990
Local Agency Investment Fund (LAIF)	—	—	160,848	0.090
Government Managed Rate				
Account	104,667	0.003	69,931	0.003
Subtotal City Pool	\$ 1,629,758		1,663,004	
Cash and Deposits	80,099		60,313	
Outstanding Checks	(13,698)		(19,752)	
Total City Pool	\$ 1,696,159		1,703,565	
Nonperforming short-term investment	\$ 3,962		3,962	

(d) Investments with Fair Values Highly Sensitive to Interest Rate Risk

The City had no investments that were highly sensitive to market interest rate changes as of September 30, 2009 and 2008. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

(e) Risks and Uncertainties

The City may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The City invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to change in economic conditions, including real estate value, delinquencies or defaults, or both, and

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may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(f) Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating requirements for commercial paper, asset-backed securities, and medium term notes is an A rating. Mortgage-backed security issuers must have a minimum AAA rating. State warrants, state treasury notes, or bonds of the State are to be rated at a minimum of A1/SP-1 for short-term investments and Aa/AA for long-term investments.

Following is the minimum rating required by the California Government Code, the City's investment policy, and the actual ratings as of September 30, 2009 and 2008 for each investment type (in thousands):

Investment Type	Minimum Legal Rating	Rating as of September 30, 2009			
		Fair Value at September 30, Not Required		AAA	Unrated
		2009	To Be Rated		
Cash and Investments in City Pool					
Inter-department loan (Health Savrs)	N/A	\$ 2,654	2,654	—	—
US Treasury Notes	N/A	930,125	930,125	—	—
Federal agency securities	N/A	592,312	—	592,312	—
Government Managed Rate Account	N/A	104,667	104,667	—	—
Subtotal City Pool		\$ 1,629,758	1,037,446	592,312	—
Cash and Deposits		80,099	—	—	80,099
Outstanding Checks		(13,698)	—	—	(13,698)
Total City Pool		\$ 1,696,159	1,037,446	592,312	66,401
Nonperforming short-term investment	N/A	\$ 3,962	—	—	3,962

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Investment Type	Minimum Legal Rating	Rating as of September 30, 2008			
		Fair Value at		AAA	Unrated
		September 30, 2008	September 30, Not Required To Be Rated		
Cash and Investments in City Pool					
Inter-department loan (Health Savrs)	N/A	\$ 2,892	2,892	—	—
US Treasury Notes	N/A	55,816	55,816	—	—
Federal agency securities	N/A	1,289,369	—	1,289,369	—
Medium-term notes	A	84,148	—	84,148	—
Local Agency Investment Fund (LAIF)		160,848	160,848	—	—
Government Managed Rate Account	N/A	69,931	69,931	—	—
Subtotal City Pool		\$ 1,663,004	289,487	1,373,517	—
Cash and Deposits		60,313	—	—	60,313
Outstanding Checks		(19,752)	—	—	(19,752)
Total City Pool		\$ 1,703,565	289,487	1,373,517	40,561
Nonperforming short-term investment	N/A	\$ 3,962	—	—	3,962

(g) Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the City's total pooled investments as of September 30, 2009 and 2008 are as follows (in thousands):

Issuer	Investment Type	Reported Amount at September 30,	
		2009	2008
Federal Farm Credit Bank	Federal agency securities	\$ 20,823	93,000
Federal Home Loan Bank	Federal agency securities	102,848	477,695
Federal Home Loan Mortgage Association	Federal agency securities	91,865	359,571
Federal National Mortgage Association	Federal agency securities	376,776	359,103
U.S. Treasuries	U.S. Treasury notes and bonds	930,125	55,817
Local Agency Investment Fund (LAIF)	State pool investment	—	160,848

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(h) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 of the secured public deposits.

All securities owned by the City are deposited in trust for safekeeping with a custodial bank different from the City's primary bank.

As of September 30, 2009, the City reported deposits for \$80,099,000 less \$13,698,000 for checks outstanding. As of September 30, 2008, the City reported deposits for \$60,313,000 less \$19,752,000 for checks outstanding.

(i) Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized-cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured basis. During the fiscal year, the City had significant funds invested in the pool; however, at September 30, 2009, the City had withdrawn all funds from LAIF.

(j) Securities Lending

The City did not engage in any securities lending programs for the fiscal years ended September 30, 2009 and 2008. However, from time to time, the City engages in limited securities-lending activities. These activities are governed by formal agreements with the City's contract bank. These agreements limit the nature and amount of the transactions and provide for full collateralization of each transaction.

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(3) Capital Assets

Changes in capital assets for fiscal 2009 were as follows:

	2009				
	Beginning balance, October 1	Additions	Deletions/ retirements	Transfers	Ending balance, September 30
Nondepreciable assets:					
Land	\$ 6,363,728	—	—	—	6,363,728
Construction in progress	12,436,436	18,582,184	—	(19,598,907)	11,419,713
Total nondepreciable assets	18,800,164	18,582,184	—	(19,598,907)	17,783,441
Depreciable assets:					
Building	17,340,544	19,998	—	248,889	17,609,431
Runways and improvements	135,442,934	—	—	18,854,742	154,297,676
Automotive equipment	2,599,071	—	—	—	2,599,071
Infrastructure	128,149	—	—	—	128,149
Machinery and equipment	2,341,064	38,031	(424,805)	495,276	2,449,566
Furniture and fixtures	48,020	—	—	—	48,020
Total depreciable assets	157,899,782	58,029	(424,805)	19,598,907	177,131,913
Total capital assets	176,699,946	18,640,213	(424,805)	—	194,915,354
Less accumulated depreciation	(58,027,687)	(5,727,259)	424,805	—	(63,330,141)
Capital assets, net	\$ 118,672,259	12,912,954	—	—	131,585,213

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Changes in capital assets for fiscal 2008 were as follows:

	2008				Ending balance, September 30
	Beginning balance, October 1	Additions	Deletions/ retirements	Transfers	
Nondepreciable assets:					
Land	\$ 6,419,114	—	(55,386)	—	6,363,728
Construction in progress	23,722,369	21,246,213	—	(32,532,146)	12,436,436
Total nondepreciable assets	<u>30,141,483</u>	<u>21,246,213</u>	<u>(55,386)</u>	<u>(32,532,146)</u>	<u>18,800,164</u>
Depreciable assets:					
Building	14,865,972	—	(14)	2,474,586	17,340,544
Runways and improvements	105,385,374	—	—	30,057,560	135,442,934
Automotive equipment	2,599,071	—	—	—	2,599,071
Infrastructure	128,149	—	—	—	128,149
Machinery and equipment	2,272,322	68,742	—	—	2,341,064
Furniture and fixtures	48,020	—	—	—	48,020
Total depreciable assets	<u>125,298,908</u>	<u>68,742</u>	<u>(14)</u>	<u>32,532,146</u>	<u>157,899,782</u>
Total capital assets	155,440,391	21,314,955	(55,400)	—	176,699,946
Less accumulated depreciation	<u>(53,099,090)</u>	<u>(4,928,597)</u>	<u>—</u>	<u>—</u>	<u>(58,027,687)</u>
Capital assets, net	<u>\$ 102,341,301</u>	<u>16,386,358</u>	<u>(55,400)</u>	<u>—</u>	<u>118,672,259</u>

(4) Long-Term Debt

(a) 1993 Refunding Certificate of Participation

The City entered into an installment purchase obligation (1993 Obligation) with the Long Beach Capital Improvement Corporation (LBCIC), a specialized financing authority of the City, in the amount of \$16,815,000 effective June 1, 1993, for the purpose of refinancing the acquisition, construction, and installation of various improvements to certain facilities of the Airport.

In July 1993, the proceeds of the 1993 Obligation were used to advance refund a prior obligation with the LBCIC dated June 1, 1991 (1991 Obligation). As a result of the advance refunding, the 1991 Bonds were subsequently called in June 1999, and the liability for this obligation was removed from the Airport's books and records.

The 1993 Obligation matures in installments ranging from \$170,000 to \$1,230,000 from June 1, 1994 through June 1, 2016 and bears interest at rates from 2.70% to 5.35%, payable semiannually on June 1 and December 1 of each year. The principal maturing on June 1, 2016 is subject to mandatory annual prepayments ranging from \$1,010,000 to \$1,230,000 beginning June 1, 2012. The amounts

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maturing on June 1, 2016 are also subject to optional prepayment in whole or in part, any date on or after June 1, 2003, at a prepayment price equal to the principal and accrued interest to the date of prepayment.

Amounts maturing June 1, 2004 through June 1, 2009 are subject to optional prepayment prior to their respective maturities in whole or in part, in inverse order of maturity, any date on or after June 1, 2003. The amount of such optional prepayments is equal to the principal, accrued interest to the date of prepayment plus a prepayment premium, if applicable. The premium is computed on the principal prepaid at a rate of 2% during the year beginning June 1, 2003, and 1% for the year beginning June 1, 2004. There is no premium applicable to prepayments made on or after June 1, 2005.

A Reserve Fund, equal to the lesser of (i) 10% of the outstanding principal of the 1993 Obligation, (ii) the maximum annual debt service on the 1993 Obligation, or (iii) 125% of the average outstanding debt service on the 1993 Obligation, is required. The balance in the Reserve Fund at September 30, 2009 and 2008 was \$1,295,250 and is included in restricted cash and cash equivalents in the statements of net assets. The Reserve Fund represents the maximum annual debt service on the 1993 Obligation at September 30, 2009 and 2008.

The 1993 Obligation is secured by the Airport's "Net Revenues," defined as the gross revenues during each fiscal year, net of certain capital contributions and grants, less the maintenance and operation costs during each fiscal year, net of depreciation and amortization. Additionally, the obligation of the Airport to pay the principal component of the 1993 Obligation and certain accrued interest is supported by a municipal bond guaranty insurance policy.

(b) *Airport Projects Commercial Paper Notes*

On October 19, 2004, the City Council authorized the Airport to issue, on an as-needed basis, up to \$15,000,000 of variable rate, Airport Projects Commercial Paper Notes for short-term financing of qualified Airport capital projects under a commercial paper program expiring on November 1, 2020. On May 20, 2008, the City Council authorized for the program to be expanded to up to \$25,000,000. When issued, the net proceeds from the sale of the notes will be used to pay for projects that will be funded by Passenger Facility Charges (PFC) or Federal Aviation Administration (FAA) entitlement grants.

On May 26, 2005, notes in the amount of \$1,020,000 were issued. The notes were issued in denominations of \$100,000 and integral multiples of \$1,000 in excess of \$100,000 and mature not more than 270 days after date of issuance. On March 20, 2008, an additional \$7,012,000 were issued. In December 2008, an additional \$8,300,000 were issued. Interest rates have ranged from 1.35% to 3.8%. Issuance costs related to the program were \$275,824 and are being amortized using the straight-line method over the life of the program. Annual amortization of issuance costs is \$17,239. The Airport has the ability to and continues to extend the notes to periods greater than a year. Amounts the Airport has planned to repay within a year have been classified as short-term obligations. The remaining outstanding amounts have been classified as long-term obligations.

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Changes in long-term debt amounts for 2009 were as follows:

	<u>Balance, 2008</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Balance, 2,009</u>	<u>Due within one year</u>
Long-term debt:					
1993 Refunding COP	\$ 8,350,000	—	(870,000)	7,480,000	920,000
Commercial paper (CP)	8,032,000	8,300,000	—	16,332,000	4,000,000
Unamortized discount – COP	(127,645)	—	24,124	(103,521)	(22,905)
Unamortized deferred loss – COP	(403,912)	—	76,336	(327,576)	(72,480)
Unamortized issuance costs – COP	(128,608)	—	24,306	(104,302)	(23,078)
Unamortized issuance costs – CP	<u>(206,868)</u>	<u>—</u>	<u>17,239</u>	<u>(189,629)</u>	<u>(17,239)</u>
Total long-term debt	15,514,967	\$ <u>8,300,000</u>	<u>(727,995)</u>	23,086,972	\$ <u>4,784,298</u>
Less current portion	<u>(870,000)</u>			<u>(4,920,000)</u>	
Total long-term debt, net of current portion	\$ <u>14,644,967</u>			\$ <u>18,166,972</u>	

Changes in long-term debt amounts for 2008 were as follows:

	<u>Balance, 2007</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Balance, 2008</u>	<u>Due within one year</u>
Long-term debt:					
1993 Refunding COP	\$ 9,175,000	—	(825,000)	8,350,000	870,000
Commercial paper (CP)	1,020,000	7,012,000	—	8,032,000	—
Unamortized discount – COP	(152,840)	—	25,195	(127,645)	(24,124)
Unamortized deferred loss – COP	(483,636)	—	79,724	(403,912)	(76,336)
Unamortized issuance costs – COP	(153,993)	—	25,385	(128,608)	(24,306)
Unamortized issuance costs – CP	<u>(224,107)</u>	<u>—</u>	<u>17,239</u>	<u>(206,868)</u>	<u>(17,239)</u>
Total long-term debt	9,180,424	\$ <u>7,012,000</u>	<u>(677,457)</u>	15,514,967	\$ <u>727,995</u>
Less current portion	<u>(825,000)</u>			<u>(870,000)</u>	
Total long-term debt, net of current portion	\$ <u>8,355,424</u>			\$ <u>14,644,967</u>	

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Debt service requirements to maturity for the 1993 Obligation at September 30, 2009 are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal years:			
2010	\$ 920,000	374,000	1,294,000
2011	965,000	328,000	1,293,000
2012	1,010,000	279,750	1,289,750
2013	1,065,000	229,250	1,294,250
2014	1,115,000	176,000	1,291,000
2015 – 2016	2,405,000	181,750	2,586,750
Total	\$ <u>7,480,000</u>	<u>1,568,750</u>	<u>9,048,750</u>

(5) Due to City of Long Beach

The City provides services to the Airport under a negotiated Memorandum of Understanding. At September 30, 2009 and 2008, the Airport's unpaid charges totaled \$252,020 and \$108,623 respectively. For 2009, the amount of \$252,020 includes the benefits portion of the accrued wages to be paid to the employee benefits fund of \$124,520 and \$127,500 for the underground storage tank consent decree penalty and legal fees allocation per agreement with the State Water Resources Control Board. For fiscal year 2008, \$108,623 represents benefits on accrued wages recorded as amounts due to the City.

(6) Passenger Facility Charge (PFC)

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act, which authorized domestic airports to impose PFCs on enplaning passengers. In May 1991, the FAA issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects that must meet at least one of the following criteria: (1) preserve or enhance safety, security, or capacity of the national air transportation system; (2) reduce noise or mitigate noise impacts resulting from an airport; or (3) furnish opportunities for enhanced competition between or among carriers. In April 2003, the FAA approved the Airport's application to collect PFCs for specifically approved airport improvement projects. The collection authority was for \$30,306,984 for six years ending October 1, 2009. On July 7, 2006, the Airport was given approval for an additional collection authority of \$32,037,919, which amended the total PFC amount collected to \$62,344,903 ending May 1, 2017. Effective August 1, 2003, the Airport began collecting PFCs in the amount of \$3 per enplaning passenger.

On September 14, 2006, the Airport was given approval for a new application that granted collection authority of \$7,148,186 with a charge effective date of May 1, 2017 and a charge expiration date of December 1, 2018. On March 21, 2008, the FAA approved the Airport's amendment request to increase the collection level from \$3.00 to \$4.50 to be effective May 1, 2008 for the two approved PFC applications. It was also approved to change the expiration date from May 1, 2017 to October 1, 2014 for the first approved application for \$62,344,903. The second approved application's estimated charge expiration date was also changed from December 1, 2018 to November 1, 2015.

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A third application for the design and construction of a new terminal building was approved on April 22, 2008. The FAA approval allowed the Airport to continue to collect the PFC charge at the \$4.50 level with total PFC remittances net of air carrier's compensation totaling \$69,137,000. The earliest effective date for the third application PFC charge will be November 1, 2015 and is based on the estimated expiration date of the approved second application. According to the FAA, the Airport is required to submit an application to use the PFC revenue within three years of the approval date and begin implementation within five years of the approval date.

The PFC funds are recognized on the accrual basis of accounting, and the funds collected are restricted and may be used only on specifically approved projects. Due to their restricted use, PFCs are categorized as nonoperating revenues. All funds collected must be maintained in an interest-bearing account with the City Treasurer prior to reimbursement. PFC revenue for 2009 and 2008 was \$6,005,439 and \$4,979,180, respectively. Interest earned on these funds for 2009 and 2008 amounted to \$93,876 and \$188,772, respectively.

(7) Defined Benefit Pension Plan

The Airport participates on a cost-sharing basis with the City in the California Public Employees' Retirement System (CalPERS), a defined benefit, multi-employer pension system that acts as a common investment and administrative agent for entities in California. The Airport is billed by the City for its share of pension costs at the rate established by CalPERS for the City's miscellaneous employees. For fiscal years 2009 and 2008, the Airport's contribution of 100% of their share in pension cost is \$850,900 and \$799,951, respectively. CalPERS does not calculate a separate pension obligation at the Airport level; accordingly, no separate Airport obligation can be presented herein.

As employees of the City, the Airport's 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. Upon vesting, Airport's 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 for the first tier, and for the second tier effective in fiscal year 2004. The City created a third tier for nonsafety employees hired after October 1, 2006. Vested third tier nonsafety 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.

Further information regarding the City's participation in CalPERS may be found in the City's CAFR.

(8) Postretirement Health Care Benefits

(a) Plan Description

The Airport participates in the City's Retired Employees Health Insurance Program. This program is a single-employer defined benefit healthcare plan.

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 at retirement of the retiring employee's accumulated unused sick leave to pay for health, dental, and long-term care insurance premiums. Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick

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leave may be accumulated until termination or retirement. No sick leave benefits are vested. 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 the second incentive offered a 16-hour increase in sick leave per year of service to management employees who retired by June 30, 2004. In all cases, once the cash value of the retired employee's unused sick leave is exhausted, the retiree can terminate coverage or elect to continue paying the premiums at the retiree's expense.

At September 30, 2009, there were 580 participants in the City's Retired Employees Health Insurance Program, and the noninterest-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 the fiscal year ended September 30, 2009 were \$7,250,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

(b) Termination Benefits

As of September 30, 2009, the City has recorded a liability in the Employee Benefits Internal Service Fund of \$87,342,000 based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting of Compensated Absences*. The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, and an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996. The actuarial study assumes an investment return of 5.0%; wage increases of 3.5% per year for miscellaneous and 4.5% per year for safety employees, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$6,250,000 has been fully funded and the long-term portion of the liability of \$81,092,000 is being funded over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

(c) Other Postemployment Benefits

As of September 30, 2009, the City has also recorded a liability in the Employee Benefits Internal Service Fund of \$10,404,000 based on an actuarial study of the "implicit subsidy" as defined by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). While the City does not directly contribute any funding toward the cost of premiums for retirees, the ability to obtain coverage at an active employee's rate constitutes an economic benefit to the retirees. The inclusion of the retirees in the City's healthcare benefit plans increases the overall health plan rates. The economic benefit is defined as an "implicit subsidy" under GASB 45.

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

The plan does not issue a separate financial report.

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(d) Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2009, the City has not prefunded the plan and makes contributions to the plan on a pay-as-you-go basis.

(e) Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined in accordance with the requirements of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation at September 30: (in thousands):

	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 8,418	8,102
Interest on net OPEB obligation	262	—
Adjustment to annual required contribution	<u>(219)</u>	<u>—</u>
Annual OPEB cost (expense)	8,461	8,102
Contribution made	<u>(3,306)</u>	<u>(2,853)</u>
Increase in net OPEB obligation	5,155	5,249
Net OPEB obligation – beginning of year	<u>5,249</u>	<u>—</u>
Net OPEB obligation – end of year	\$ <u><u>10,404</u></u>	\$ <u><u>5,249</u></u>

The ARC for the City was determined as part of the September 2008 actuarial valuation. For the year ended September 30, 2009, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

<u>Fiscal year ended</u>	<u>Annual OPEB cost contributed</u>	<u>Percentage of annual OPEB cost</u>	<u>Net OPEB obligation</u>
September 30, 2009	\$ 8,461	39.1%	\$ 10,404
September 30, 2008	8,102	35.2	5,249

The OPEB liability is recorded in the City's employee benefits internal service fund and is not recorded in the Airport's financial statements.

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(f) Funded Status and Funding Progress

The funded status of the plan as of September 30, 2009 and 2008 was as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Actuarial accrued liability (AAL)	\$ 110,324	86,868
Actuarial value of plan assets	<u>—</u>	<u>—</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 110,324</u>	<u>86,868</u>
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 295,450	284,484
UAAL as a percentage of covered payroll	37.3%	30.5%
ARC as a percentage of covered payroll	2.8%	2.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(g) Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 2008 actuarial valuation, the Entry Age Normal (EAN) cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), an annual healthcare trend rate that begins at 12% for HMO plans and 9% for PPO plans that grades down to 4.5% for all plans by September 30, 2021, and an inflation assumption of 3%. The EAN cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level amount over the participants' working lifetime. The actuarial value of plan assets was \$0. The plans unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over 30 years.

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(9) Leases, Rentals, and Revenue-Sharing Agreements

The Airport has entered into numerous operating leases as lessor for land and buildings, concessions, including restaurants and food counter, car rental counters and offices and other concession areas, airline counters, offices and other spaces, and other airport facilities. Terms of these leases vary according to the facility leased or services performed, and include fixed minimum payments, a combination of fixed minimum payments and percentages of gross revenues over a base, or percentage of gross revenues.

The minimum fixed portion of future rental income under noncancelable operating leases having an initial term in excess of one year is as follows:

Year(s):	<u>Amount</u>
2010	\$ 6,896,417
2011	6,565,615
2012	5,428,363
2013	4,654,243
2014	4,158,317
2015 – 2019	18,922,474
2020 – 2024	16,688,762
2025 – 2029	15,963,021
2030 – 2034	13,608,694
2035 – 2039	12,542,054
2040 – 2044	9,768,385
2045 – 2049	9,678,474
2050 – 2054	5,818,111
2055 – 2059	3,362,494
2060 – 2064	3,362,494
2065 – 2069	3,362,494
2070 – 2074	3,362,494
2075 – 2079	3,362,494
2080 – 2084	3,223,511
	<u>\$ 150,728,911</u>

(10) Commitments and Contingencies

(a) Litigation

The Airport is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by representatives of the City Attorney’s office. The Airport’s management may make provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the Airport.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

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(b) Insurance

The Airport carries liability insurance separate from the City in the amount of \$100 million per occurrence covering general products, aircraft liability, and passengers. The policy also includes \$50 million limit per occurrence for the perils of war, hijackings, sabotage, and terrorism. The Airport is included in the City's self-insurance program for workers' compensation claims. Workers' compensation insurance is discussed in detail in the City's CAFR. The Airport paid \$124,295 and \$214,143 in liability insurance premiums for fiscal years 2009 and 2008, respectively.

(c) Construction Contracts

The Airport has a variety of agreements with private parties relating to the construction, improvement, or modification of its airport facilities. The financing of such construction contracts is being provided from the Airport's PFCs, FAA grants, Airport capital, and commercial paper. The Airport committed to approximately \$3,608,861 and \$5,268,590 in open construction contracts as of September 30, 2009 and 2008, respectively. At the end of fiscal year 2009, the Airport has active construction projects. The projects include the Airport parking structure, terminal development, and air carrier ramp reconstruction.

(11) Pollution Remediation Obligation

In September 2009, the Regional Water Quality Control Board (Board) identified the Airport as a potentially responsible party for groundwater and soil contaminants found in and around the Airport. The Airport was directed to prepare a technical work plan to characterize the groundwater and free product contaminants at the Airport. The estimated liability for the initial evaluation stage is \$150,000. There will be additional costs for determining the source of the contaminant, for monitoring during any mandated monitoring period, and potentially for clean-up activities; however, at September 30, 2009, there is insufficient information to further estimate any liability associated with this site.

(12) Subsequent Event

(a) City of Long Beach Senior Airport Revenue Bonds, Series 2009A

On December 8, 2009, the City issued \$9,795,000 Senior Airport Revenue Bonds, Series 2009A. The proceeds of the Series 2009A bonds were used to current refund \$4,000,000 of the City's outstanding Series A Subordinate Commercial Paper Notes, to pay interest accruing on the series 2009A and 2009C bonds, fund a reserve requirement for the Series 2009A bonds, and to pay the cost of issuance for the Series 2009A bonds. Debt service on the Series 2009A bonds will be paid through revenues generated by the Airport.

(b) City of Long Beach Senior Airport Revenue Refunding Bonds, Series 2009B

On December 8, 2009, the City issued \$6,755,000 Senior Airport Revenue Refunding Bonds, Series 2009B. The proceeds of the Series 2009B bonds were used to refund the City's 1993 Certificates of Participation, fund a reserve requirement for the Series 2009B bonds, and to pay the cost of issuance for the Series 2009B bonds. Debt service on the Series 2009B bonds will be paid through revenues generated by the Airport.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

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(c) *City of Long Beach Taxable Senior Airport Revenue Bonds, Series 2009C*

On December 8, 2009, the City issued \$44,890,000 Taxable Senior Airport Revenue Bonds, Series 2009C. The proceeds of the Series 2009C bonds were used to finance the Airport Parking Structure, fund a reserve requirement for the Series 2009C bonds, and to pay the cost of issuance for the Series 2009C bonds. Debt service on the Series 2009C bonds will be paid through revenues generated by the Airport.

(d) *City of Long Beach Commercial Paper Notes*

In March 2010, the Airport issued \$4,750,000 of authorized Airport Projects Commercial Paper Notes for finance costs related to the Airport parking structure and terminal development.

APPENDIX C

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

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Senior Indenture and the First Supplemental Senior Indenture.

“*Account*” means any account established pursuant to the Master Senior Indenture or any Supplemental Senior Indenture.

“*Accreted Value*” means (a) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Senior Indenture as the amount representing the initial principal amount of such Capital Appreciation Bond plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value will be determined in accordance with the provisions of the Supplemental Senior Indenture authorizing the issuance of such Capital Appreciation Bond or Original Issue Discount Bonds. All references in the Master Senior Indenture to “principal” will include Accreted Value, as applicable.

“*Act*” means collectively the Bond Law and the Charter.

“*Aggregate Annual Debt Service*” means for any Fiscal Year the aggregate amount of Annual Debt Service on all Outstanding Bonds and Unissued Senior Program Bonds. For purposes of calculating Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

(a) in determining the amount of principal due in each year, payment will (unless a different paragraph of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds and Unissued Senior Program Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in such year; in determining the amount of interest due in each year, interest payable at a fixed rate will (except to the extent paragraphs (b), (c) or (d) of this definition applies) be assumed to be made at such fixed rate and on the required funding dates; provided, however, that interest payable on the Bonds will be excluded to the extent such payments are to be paid from Capitalized Interest for such Fiscal Year;

(b) if all or any portion or portions of an Outstanding Series of Bonds, or Unissued Senior Program Bonds constitute Balloon Indebtedness (excluding Senior Program Bonds or Unissued Senior Program Bonds to which paragraph (f) of this definition applies), then, for purposes of determining Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Senior Indenture pursuant to which such Balloon Indebtedness is issued or unless paragraph (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later

than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation for fixed rate obligations will be the applicable fixed rates and for variable rate obligations it will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax; with respect to any Series of Bonds, Unissued Senior Program Bonds or Senior Program Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Senior Program Bonds or Senior Program Bonds or that portion of a Series thereof which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in paragraph (a) of this definition or such other provision of this definition as will be applicable;

(c) any maturity of Bonds which constitutes Balloon Indebtedness as described in paragraph (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and paragraph (b) of this definition will not apply thereto unless there is delivered to the entity making the calculation of Aggregate Annual Debt Service a certificate of an Authorized City Representative stating that the City intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the City is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Bonds (including Senior Program Bonds then issued and Outstanding) or any Bonds which are then proposed to be issued constitute Tender Indebtedness, then, for purposes of determining Aggregate Annual Debt Service, Tender Indebtedness will be treated as if (i) the principal amount of such Bonds were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Annual Debt Service payments and extending not later than 30 years from the date such Tender Indebtedness was originally issued, provided, however, notwithstanding the previous provisions of this clause (i), any principal amortization schedule set forth in a Supplemental Senior Indenture (including, but not limited to, any mandatory sinking fund redemption schedule) will be applied to determine the principal amortization of such Bonds; (ii) the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which

is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax; and (iii) with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments will be treated as described in paragraph (a) of this definition unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in paragraph (e) or (f) of this definition, as appropriate;

(e) if any Outstanding Bonds constitute Variable Rate Indebtedness, including obligations described in paragraph (h)(ii) of this definition to the extent it applies (except to the extent paragraph (b) or (c) of this definition relating to Balloon Indebtedness or paragraph (d) of this definition relating to Tender Indebtedness or paragraph (h)(i) of this definition relating to Synthetic Fixed Rate Debt applies), the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax;

(f) with respect to any Senior Program Bonds or Unissued Senior Program Bonds (other than a Commercial Paper Program) (i) debt service on Senior Program Bonds then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Senior Program Bonds, it will be assumed that the full principal amount of such Unissued Senior Program Bonds will be amortized over a term certified by an Authorized City Representative at the time the initial Senior Program Bonds of such Program are issued to be the expected duration of such Program or, if such expectations have changed, over a term certified by an Authorized City Representative to be the expected duration of such Program at the time of such calculation, but not to exceed 30 years from the date of the initial issuance of such Senior Program Bonds and it will be assumed that debt service will be paid in substantially level Annual Debt Service payments over such assumed term; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax;

(g) debt service on Senior Repayment Obligations, to the extent such obligations constitute Bonds under the Master Senior Indenture will be calculated as provided therein;

(i) for purposes of computing the Aggregate Annual Debt Service of Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the City elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable; or, if the City fails to elect such rate, then it will be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue

Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the City or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax;

(ii) for purposes of computing the Aggregate Annual Debt Service of Bonds with respect to which a Swap has been entered into whereby the City has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Bonds to which such Swap pertains will be included in the calculation of Aggregate Annual Debt Service, and the interest rate with respect to such Bonds will be the sum of that rate as determined in accordance with paragraph (e) of this definition relating to Variable Rate Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider;

(h) with respect to any Commercial Paper Program which has been Implemented and not then terminated or with respect to any Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Authorized Amount of such Commercial Paper Program were to be amortized over a term of 30 years commencing in the year in which such Commercial Paper Program is Implemented and with substantially level Annual Debt Service payments; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed rate Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes and which is or is not subject to any alternative minimum tax;

(i) if moneys, Permitted Investments or any other amounts not included in Revenues have been used to pay or have been irrevocably deposited with and are held by the Senior Trustee or another fiduciary to pay or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Bonds, then the principal and/or interest to be paid from such moneys, Permitted Investments, other amounts not included in Revenues or Capitalized Interest or from the earnings thereon will be disregarded and not included in calculating Annual Debt Service; and

(j) if Passenger Facility Charges, Customer Facility Charges, Federal Direct Payments, state and/or federal grants or other moneys not included in Revenues have been irrevocably committed or are held by the Senior Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on specified Bonds, then the principal and/or interest to be paid from such Passenger Facility Charges, Customer Facility Charges, Federal Direct Payments, state and/or federal grants or other moneys not included in Revenues or from earnings thereon will be disregarded (unless such Passenger Facility Charges, Customer Facility Charges, Federal Direct Payments, state and/or federal grants or other moneys

are included in the definition of Revenues) and not included in calculating Aggregate Annual Debt Service and/or Annual Debt Service.

“Aggregate Annual Debt Service For Reserve Requirement” means the computation of Aggregate Annual Debt Service with respect to all Outstanding Bonds participating in the Senior Reserve Fund or all Outstanding Bonds participating in a separately established Senior Debt Service Reserve Fund, as the case may be, in the then current or any future Fiscal Year with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Aggregate Annual Debt Service For Reserve Requirement, the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series, be calculated on the basis of the assumptions set forth in paragraph (e) of the definition of Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Bonds containing Balloon Indebtedness or Tender Indebtedness will not, with respect to such Series, require subsequent increases.

“Airport” means the Long Beach Airport, located in the City and generally bounded by Carson Street to the North, North Lakewood Boulevard to the East, East Spring Street to the South and Cherry Avenue to the West; including all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the City, including all facilities and property related thereto, real or personal, under the jurisdiction and control of the City at such location or in which the City has other rights or from which the City derives revenues at such location; and including and excluding, as the case may be, such property as the City may either acquire or which will be placed under its control, or divest or have removed from its control.

“Airport Facilities” or *“Airport Facility”* means a facility or group of facilities or category of facilities which constitute or are part of the Enterprise.

“Annual Debt Service” means, with respect to any Bond, the aggregate amount of principal, interest and such other amounts becoming due and payable during a Fiscal Year, and if a Qualified Swap is in effect for any Bond, plus the amount payable by the City (or the Senior Trustee) under the Qualified Swap in accordance with the terms thereof, less any amount to be received by the City from the Qualified Swap Provider pursuant to the Qualified Swap, calculated using the principles and assumptions set forth in the definition of Aggregate Annual Debt Service; provided, however, for purposes of determining the amount of Annual Debt Service to be used to determine compliance with the rate covenant set forth in the Master Senior Indenture, such amount will be revised to reflect the application of subparagraphs (j) and (k) of the definition of “Aggregate Annual Debt Service.”

“Authorized Amount” means, when used with respect to Bonds, including Bonds issued pursuant to a Program, the maximum Principal Amount of Bonds which is then authorized by a resolution adopted by the City Council or a Supplemental Senior Indenture entered into by the City pursuant to the Master Senior Indenture to be Outstanding at any one time under the terms of such Program or Supplemental Senior Indenture. If the maximum Principal Amount of Bonds or Senior Program Bonds authorized by a preliminary resolution or form of Supplemental Senior Indenture approved by the City pursuant to the Master Senior Indenture exceeds the maximum Principal Amount of Bonds set forth in the final resolution of sale adopted by the City Council or in the definitive Supplemental Senior Indenture executed and delivered by the City pursuant to which such Bonds are issued or such Program is established, the Principal Amount of such Bonds or Senior Program Bonds as is set forth in said final resolution of sale or in the definitive Supplemental Senior Indenture as executed and delivered by the City will be deemed to be the “Authorized Amount.” Notwithstanding the provisions of this definition of “Authorized Amount,” in connection with the Master Senior Indenture and the calculation of Maximum

Aggregate Annual Debt Service and Aggregate Annual Debt Service with respect to a Commercial Paper Program, “Authorized Amount” means the total amount available (utilized and unutilized, if applicable) under a Credit Facility entered into with respect to such Commercial Paper Program and the total amount of Subordinate Airport Commercial Paper Notes that may be issued pursuant to an Unenhanced Commercial Paper Program.

“*Authorized City Representative*” means the City Manager, the Director of Financial Management, CFO, the City Treasurer, or such other officer or employee of the City or other person which other officer, employee or person has been designated by the City Manager as an Authorized City Representative by written notice delivered by the City Manager to the Senior Trustee or other fiduciary.

“*Authorized Investments*” means any securities in which the City may legally invest funds subject to its control.

“*Balloon Indebtedness*” means, with respect to any Series of Bonds 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Bonds of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any Fiscal Year. For purposes of this definition, the principal amount maturing on any date will be reduced by the amount of such Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Commercial Paper Program and the Commercial Paper constituting part of such Program will not be Balloon Indebtedness.

“*Bond*” or “*Bonds*” means any debt obligation of the City issued with respect to the Airport as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Senior Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper notes and other instruments creating an indebtedness of the City, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Senior Repayment Obligations to the extent provided in the Master Senior Indenture. The term “*Bond*” or “*Bonds*” in the Master Senior Indenture does not include any Subordinate Obligation; provided, however, that the City may provide in a Supplemental Senior Indenture to the Master Senior Indenture that Subordinate Obligations may be thenceforth issued pursuant to the Master Senior Indenture having the terms applicable to the Bonds, except that such Subordinate Obligations will be junior and subordinate in payment to the Bonds from Net Revenues. The term “*Bond*” and “*Bonds*” includes Senior Program Bonds.

“*Bond Counsel*” means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance and which are familiar with the transactions contemplated under the Master Senior Indenture and which are acceptable to the City.

“*Bondholder*,” “*holder*,” “*Owner*,” “*owner*” or “*registered owner*” means the person in whose name any Bond or Bonds are registered on the books maintained by the Registrar and will include any Credit Provider or Liquidity Provider to which a Senior Repayment Obligation is then owed, to the extent that such Senior Repayment Obligation is deemed to be a Bond under the provisions of the Master Senior Indenture.

“*Bond Law*” means Sections 3.52.110 through 3.52.150 of the Long Beach Municipal Code.

“*Bond Year*” means a “*Bond Year*” as defined in the Tax Certificates.

“*Business Day*” means a day on which banks located in New York, New York, in Los Angeles, California, and in the city in which the principal corporate trust office of the Senior Trustee is located are open, provided that such term may have a different meaning for any specified Series of Bonds if so provided by Supplemental Senior Indenture.

“*Capital Appreciation Bonds*” means Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Senior Indenture and is payable only upon redemption or on the maturity date of such Bonds. Bonds which are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically will be Capital Appreciation Bonds until the conversion date and from and after such conversion date will no longer be Capital Appreciation Bonds, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

“*Capitalized Interest*” means the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other monies that are deposited with the Senior Trustee in a Senior Debt Service Fund as will be described in a Supplemental Senior Indenture upon issuance of Bonds to be used to pay interest on the Bonds.

“*Cede & Co.*” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2009 Bonds.

“*Charter*” means the Charter of the City of Long Beach, California, as may be in effect from time to time.

“*City*” means the City of Long Beach, California, a charter city and municipal corporation organized and existing under the Constitution and laws of the State, and any successor thereto.

“*City Clerk*” means the City Clerk of the City of Long Beach.

“*City Council*” means the City Council of the City of Long Beach. Any action required or authorized to be taken by the City Council in the Master Senior Indenture may be taken by the Authorized City Representative with such formal approvals by the City Council as are required by the policies and practices of the City and applicable laws; provided, however, that any action taken by the Authorized City Representative in accordance with the provisions of the Master Senior Indenture will conclusively be deemed by the Senior Trustee and the Owners to be the act of the City without further evidence of the authorization thereof by the City Council.

“*City Manager*” means the person at a given time who is the City Manager of the City or such other title as the City may from time to time assign for such position and the officer or officers succeeding to such position.

“*City Treasurer*” means the person at a given time who is the City Treasurer of the City or such other title as the City may from time to time assign for such position and the officer or officers succeeding to such position.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations applicable with respect thereto.

“*Commercial Paper*” means notes of the City with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the City.

“*Commercial Paper Program*” means a Program authorized by the City Council pursuant to which Commercial Paper will be issued and reissued from time to time, up to the Authorized Amount of such Program.

“*Construction Fund*” means any of the Construction Funds authorized to be established as provided by the Master Senior Indenture.

“*Consultant*” means any Independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, financial advisory or investment banking firm, or other expert recognized to be well-qualified for work of the character required and retained by the City to perform acts and carry out the duties provided for such consultant in the Master Senior Indenture.

“*Continuing Disclosure Certificate*” means the continuing disclosure certificate of the City, dated the date of issue of the Series 2009 Bonds, pursuant to which the City will agree to undertake for the benefit of the Bondholders and the beneficial owners of the Series 2009A Bonds certain ongoing disclosure requirements.

“*Costs*” or “*Costs of a Project*” means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and will include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the City or a Consultant; (d) costs of the City properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Bonds, costs of Credit Facilities, Liquidity Facilities, Capitalized Interest, the Senior Reserve Fund, any Senior Debt Service Reserve Fund (other than the Senior Reserve Fund), Senior Trustee’s fees and expenses; (f) any Swap Termination Payments due in connection with a Series of Bonds or the failure to issue such Series of Bonds, and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the City.

“*Costs of Issuance*” means all costs and expenses incurred by the City in connection with the issuance of the Series 2010 Bonds, including, but not limited to, costs and expenses of printing and copying documents, the preliminary and final official statements and the Series 2010 Bonds, underwriters’ compensation, and the fees, costs and expenses of rating agencies, the Senior Trustee, counsel, accountants, financial advisors, feasibility consultants and other consultants.

“*Coverage Deposit Account*” means the Coverage Deposit Account that may be established by the City in the Enterprise Fund with the City Treasurer into which the Rate Reserve Amount is deposited.

“*Credit Facility*” means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Senior Trustee for the payment of the principal of and/or interest on Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the City fails to do so.

“*Credit Provider*” means the party obligated to make payment of principal of and interest on the Bonds under a Credit Facility.

“*Customer Facility Charges*” means all amounts received by the City from the payment of any customer facility fees or charges by customers of automobile rental companies pursuant to the authority granted by Section 1936 of the California Civil Code, as amended from time to time, or any other applicable State law, including all interest, profits or other income derived from the deposit or investment therefor.

“*Designated Debt*” means a specific indebtedness, designated by the City, in which such debt will be offset with a Swap, such specific indebtedness to include all or any part of a Series of Bonds.

“*Director of Financial Management, CFO*” means the person at a given time who is the Director of Financial Management, CFO of the City or such other title as the City may from time to time assign for such position and the officer or officers succeeding to such position.

“*DTC*” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Enterprise*” means the Airport and all operations of the Airport, including all of its revenue-producing functions, facilities and properties, whether or not directly related to the air transportation of people and goods.

“*Enterprise Fund*” means the fund into which the Revenues are deposited now existing in the Treasury of the City established under the Charter and by applicable ordinance, and any successor to such fund.

“*Event of Default*” means any occurrence or event specified in the Master Senior Indenture.

“*Facilities Construction Credit*” and “*Facilities Construction Credits*” means the amounts further described in the Master Senior Indenture resulting from an arrangement embodied in a written agreement of the City and another person or entity pursuant to which the City permits such person or entity to make a payment or payments to the City which is reduced by the amount owed by the City to such person or entity under such agreement, resulting in a net payment to the City by such person or entity. The “*Facilities Construction Credit*” will be deemed to be the amount owed by the City under such agreement which is “netted” against the payment of such person or entity to the City. Facilities Construction Credits are some times referred to as “rental credits.”

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

only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

“*Federal Direct Payments*” means amounts payable by the federal government to the City, pursuant to Sections 54AA and 6431 of the Code in connection with the City’s issuance of Bonds with respect to the Airport, in lieu of any credit otherwise available to the Owners of Bonds.

“*Federal Securities*” means any direct general non-callable obligations of the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, and Refcorp strips.

“*Fiscal Year*” means the period of time commencing on October 1 of each year and terminating on the next succeeding September 30, or such other period as may be established by the City as its official fiscal year period (written notice of which will be given by the City to the Senior Trustee).

“*Fitch*” means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, “Fitch” will be deemed to refer to any nationally recognized rating agency designated by the City.

“*Fund*” means any fund established pursuant to the Master Senior Indenture or any Supplemental Senior Indenture.

“*Implemented*” means, when used with respect to a Program, a Program which has been authorized and the terms thereof approved by a resolution adopted by the City Council and, with respect to which Program, the items described in the Master Senior Indenture have been filed with the Senior Trustee.

“*Independent*” means, when used with respect to any specified firm or individual, such a firm or individual who (a) does not have any direct financial interest or any material indirect financial interest in the operations of the City, other than the payment to be received under a contract for services to be performed, and (b) is not connected with the City as an official, officer or employee.

“*Interest Payment Date*” means each June 1 and December 1, commencing June 1, 2011, the dates upon which interest on the Series 2010 Bonds becomes due and payable.

“*Investment Agreement*” means an investment agreement or guaranteed investment contract (a) with or guaranteed by a national or state chartered bank or savings and loan, an insurance company or other financial institution whose unsecured debt is rated in the highest short-term Rating Category (if the term of the Investment Agreement is less than three years) or in either of the two highest long-term Rating Categories (if the term of the Investment Agreement is three years or longer) by one or more of the Rating Agencies, or (b) which investment agreement or guaranteed investment contract is fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 103% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien on behalf of the Senior Trustee, and (iv) free and clear from all third-party liens.

“*Liquidity Facility*” means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Bonds.

“*Liquidity Provider*” means the entity, including a Credit Provider, which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

“*Mail*” means by first-class United States mail, postage prepaid.

“*Maintenance and Operation Costs*” means 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 of the Senior Indenture; 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 Bonds, amortization or intangibles and any Maintenance and Operation Costs payable from moneys other than Revenues.

“*Maintenance and Operating Reserve Fund*” means the Maintenance and Operating Reserve Fund required to be established as provided by the Master Senior Indenture.

“*Master Senior Indenture*” means the Master Senior Trust Indenture, dated as of December 1, 2009, by and between the City and the Senior Trustee, together with all amendments thereto.

“*Maximum Aggregate Annual Debt Service*” means the maximum amount of Aggregate Annual Debt Service with respect to all Bonds, Unissued Senior Program Bonds, and the Authorized Amount of all Bonds then proposed to be issued in the then current or any future Fiscal Year.

“*Maximum Aggregate Annual Debt Service For Reserve Requirement*” means the computation of Maximum Aggregate Annual Debt Service with respect to all Outstanding Bonds participating in the Senior Reserve Fund or all Outstanding Bonds participating in a separately established Senior Debt Service Reserve Fund, as the case may be, in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Maximum Aggregate Annual Debt Service For Reserve Requirement the annual debt service with respect to any Variable Rate Indebtedness will, upon the issuance of such Series, be calculated on the basis of the assumptions set forth in paragraph (e) of the definition of Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Bonds containing Balloon Indebtedness or Tender Indebtedness will not, with respect to such Series, require subsequent increases.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and its assigns, and, if such corporation will for any reason no longer perform the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized rating agency designated by the City.

“*Net Proceeds*” means insurance proceeds received as a result of damage to or destruction of the Enterprise or any condemnation award or amounts received by the City from the sale of the Enterprise under the threat of condemnation less expenses (including attorneys’ fees and expenses and any fees and expenses of the Senior Trustee) incurred in the collection of such proceeds or award.

“*Net Revenues*” means, for any given period, the Revenues for such period, less the Maintenance and Operation Costs for such period.

“*Notes*” means Bonds issued under the provisions of the Master Senior Indenture which have a maturity of one year or less from their date of original issuance and which are not part of a Commercial Paper Program.

“*Original Issue Discount Bonds*” means Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Bonds in the Supplemental Senior Indenture under which such Bonds are issued.

“*Outstanding*” when used with respect to Bonds means all Bonds which have been authenticated and delivered under the Master Senior Indenture, except:

(a) Bonds cancelled or purchased by the Senior Trustee for cancellation or delivered to or acquired by the Senior Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(b) Bonds deemed to be paid in accordance with the Master Senior Indenture;

(c) Bonds in lieu of which other Bonds have been authenticated under the Master Senior Indenture;

(d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Senior Trustee or a Paying Agent;

(e) Bonds which, under the terms of the Supplemental Senior Indenture pursuant to which they were issued, are deemed to be no longer Outstanding;

(f) Senior Repayment Obligations deemed to be Bonds under the Master Senior Indenture to the extent such Senior Repayment Obligation arose under the terms of a Liquidity Facility and are secured by a pledge of Outstanding Bonds acquired by the Liquidity Provider, provided the Liquidity Provider purchased and holds Bonds pursuant to the Liquidity Facility; and

(g) for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds under the Master Senior Indenture, Bonds held by or for the account of the City or by any person controlling, controlled by or under common control with the City, unless such Bonds are pledged to secure a debt to an unrelated party.

“*Participant*” or “*Participants*” means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

“*Passenger Facility Charges*” or “*PFCs*” means charges collected by the City pursuant to the authority granted by the Aviation Safety and Capacity Expansion Act of 1990 Pub. L. 101-508, Title IX,

Subtitle B, Sections 9110 and 9111, the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century, Pub. L. 106-181 and 14 CFR Part 158, all as amended from time to time, or any other applicable federal law, and interest earnings thereon net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge revenues.

“*Paying Agent*” or “*Paying Agents*” means, with respect to the Bonds or any Series of Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Senior Indenture or a resolution of the City Council as the place where such Bonds will be payable.

“*Payment Date*” means, with respect to any Bonds, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

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

- (a) Federal Securities;
- (b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;
- (c) senior debt obligations rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation (or any other U.S.-sponsored agency) with remaining maturities not exceeding three years;
- (d) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks, which may include the Senior Trustee and its affiliates, and which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s, and maturing no more than 360 days after the date of purchase;
- (e) registered state warrants or treasury notes or bonds of the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the State or by a department, board, agency or authority of the State, in each case, rated at least “A” by Moody’s and S&P;
- (f) bonds, notes, warrants or other evidences of indebtedness of any local agency within the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the City, or by a department, board, agency or authority of the City, in each case, rated at least “A” by Moody’s and S&P;
- (g) obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, or in obligations, participations or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small

Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise;

(h) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System and which have a short term rating of “A-1” or “A-1+” by S&P and “P-1” by Moody’s. Purchases of bankers acceptances may not exceed 270 days’ maturity;

(i) commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody’s or S&P. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of \$500,000,000 and having an “A” or higher rating for the issuer’s debt, other than commercial paper, if any, as provided for by Moody’s or S&P. Purchases of eligible commercial paper may not exceed 180 days’ maturity nor represent more than 10% of the outstanding paper of an issuing corporation;

(j) negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the Financial Code of the State) or by a state-licensed branch of a foreign bank and which are rated at least “A” by Moody’s and S&P.

(k) repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Senior Trustee and the transfer of cash from the Senior Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Senior Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(i) Repurchase agreements must be between the Senior Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation and which are rated “A” or better by Moody’s and S&P, or (B) a bank rated “A” or better by Moody’s and S&P.

(ii) The written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to thirty (30) days; (C) the collateral must be delivered to the Senior Trustee or a third party acting as agent for the Senior Trustee simultaneously with payment (perfection by possession of certificated securities); (D) the Senior Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the Senior Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to at least 104% of the amount of cash transferred by the Senior Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to at least 105% of the amount of cash transferred by the Senior Trustee to the dealer bank or securities firm

under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Senior Trustee, then additional cash and/or acceptable securities must be transferred.

(iii) A legal opinion must be delivered to the Senior Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds.

Investment in a reverse repurchase agreement will be made only upon prior approval of the City Council and any Credit Provider. For purposes of this paragraph, the term “repurchase agreement” means a purchase of securities by the City pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the City by book-entry, physical delivery, or by third-party custodial agreement. The term “reverse repurchase agreement” means a sale of securities by the City pursuant to an agreement by which the City will repurchase such securities on or before a specified date and for a specified amount.

(l) medium-term notes of a maximum of five years’ maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this paragraph will be rated in a rating category of “AA” or better by S&P and “Aa” or better by Moody’s;

(m) notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by Section 53601 of the Government Code of the State as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by said Section 53601 for the purpose of securing local agency deposits. The securities serving as collateral will be placed by delivery or book-entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest will be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted;

(n) the Local Agency Investment Fund maintained by the Treasurer of the State;

(o) the City’s investment pool maintained by the City Treasurer in accordance with the City’s adopted investment policy; and

(p) an Investment Agreement.

(q) units of a taxable money-market portfolio composed of a U.S. Government Obligations or repurchase agreements fully secured by such U.S. Government Obligations, including any money market fund for which the Senior Trustee or any of its affiliates provides investment advisory, management or administrative services.

“*PFC Account*” means the Account of such designation established in the Enterprise Fund pursuant to the Second Supplemental Senior Indenture and into which all Passenger Facility Charges upon receipt by the City will be set aside and deposited.

“*Principal Amount*” or “*principal amount*” means, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount

to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Bond, the Accreted Value thereof, unless the Supplemental Senior Indenture under which such Bond was issued will specify a different amount, in which case, the terms of the Supplemental Senior Indenture will control, and (c) with respect to any other Bonds, the principal amount of such Bond payable at maturity or redemption thereof.

“*Program*” means a financing program identified in a Supplemental Senior Indenture, including but not limited to a Commercial Paper Program, (a) which is authorized and the terms thereof approved by a resolution adopted by the City Council and the items described in the Master Senior Indenture have been filed with the Senior Trustee, (b) wherein the City has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an Authorized Amount, and (c) the Authorized Amount of which has met the additional bonds test set forth in the Master Senior Indenture and the Outstanding amount of which may vary from time to time, but not exceed the Authorized Amount.

“*Project*” means any and all facilities, improvements and other expenditures related to the Enterprise financed in whole or in part with proceeds of a Series of Bonds.

“*Qualified Swap*” means any Swap (a) whose Designated Debt is all or part of a particular Series of Bonds; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the sixty (60) day period preceding the date on which the calculation of Annual Debt Service or Aggregate Annual Debt Service is being made; (c) which has a term not greater than the term of the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Senior Trustee by the City as a Qualified Swap with respect to such Bonds.

“*Qualified Swap Provider*” means a financial institution (a) whose senior long-term debt obligations, or whose obligations under any Qualified Swap are guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A1,” in the case of Moody’s and “A+,” in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) whose obligations under any Qualified Swap are fully secured by obligations described in items (a) or (b) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (iii) subject to a perfected first lien on behalf of the Senior Trustee, and (iv) free and clear from all third-party liens.

“*Rate Reserve Amount*” means the amount collected by the City in accordance with the Master Senior Indenture which represents Net Revenues in excess of 100% of the Annual Debt Service for any Fiscal Year, to a maximum of 25% of the Annual Debt Service for that Fiscal Year.

“*Rating Agency*” and “*Rating Agencies*” means Fitch, Moody’s or S&P, or any other nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the City to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds.

“*Rating Category*” and “*Rating Categories*” means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“*Rebate Fund*” means any fund created by the City or the Senior Trustee pursuant to a Supplemental Senior Indenture in connection with the issuance of any Series of Bonds for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

“*Record Date*” means, with respect to any Series of Bonds, the record date as specified in the Supplemental Senior Indenture which provides for the issuance of such Series.

“*Refunding Senior Bonds*” means any Bonds issued pursuant to the Master Senior Indenture to refund or defease all or a portion of any series of Outstanding Bonds or any Subordinate Obligations.

“*Registrar*” means, with respect to any Series of Bonds, the bank, trust company or other entity designated in a Supplemental Senior Indenture or a resolution of the City Council to perform the function of Registrar under the Master Senior Indenture or any Supplemental Senior Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Senior Indenture.

“*Released Revenues*” means Revenues in respect of which the following have been filed with the Senior Trustee:

(a) a resolution of the City Council describing a specific identifiable portion of Revenues and approving that such Revenues be excluded from the term Revenues;

(b) either (i) a certificate prepared by an Authorized City Representative showing that Net Revenues for each of the two most recent completed Fiscal Years, after the specific identifiable portion of Revenues covered by the City Council’s resolution described in (a) above are excluded, were at least equal to the greater of (A) the amounts needed for making the required deposits and payments pursuant to the Master Senior Indenture, or (B) an amount not less than 150% of average Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues; or (ii) a certificate prepared by a Consultant showing that the estimated Net Revenues (excluding the specific identifiable portion of Revenues covered in the resolution adopted by the City Council described in (a) above) for each of the first three complete Fiscal Years immediately following the Fiscal Year in which the resolution described in (a) above is adopted by the City Council, will not be less than the greater of (A) the amounts needed for making the required deposits and payments pursuant to the Master Senior Indenture, or (B) an amount not less than 150% of the average Aggregate Annual Debt Service for each Fiscal Year during the remaining term of all Bonds that will remain Outstanding after the exclusion of such specific identifiable portion of Revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such specific identifiable portion of Revenues from the definition of Revenues and from the pledge and lien of the Master Senior Indenture will not, in and of itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of Fitch, Moody’s and S&P (provided such Rating Agencies have been requested by the City to maintain a rating on the Bonds and such Rating Agencies are then maintaining a rating on any of the Bonds) to the effect that the exclusion of such specific identifiable portion of Revenues from the pledge and lien of the Master Senior Indenture will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the specific identifiable portion of Revenues described in the resolution of the City Council will no longer be included in Revenues and will be excluded from the pledge and lien of the Master Senior Indenture, unless otherwise included in Revenues and in the pledge and lien of the Master Senior Indenture pursuant to a Supplemental Senior Indenture.

“Reserve Fund Surety Policy” means an insurance policy, a surety bond or a letter of credit, deposited with the Senior Trustee for the credit of the Senior Reserve Fund or any Senior Debt Service Reserve Fund created for one or more series of Outstanding Bonds in lieu of or partial substitution for cash or securities on deposit therein. Except as otherwise provided in a Supplemental Senior Indenture, the entity providing such Reserve Fund Surety Policy will be rated, at the time such instrument is provided, in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

“Reserve Requirement” means, except as otherwise provided in a Supplemental Senior Indenture, an amount, which will be calculated by the City and provided to the Senior Trustee pursuant to the Master Senior Indenture, equal to the least of (a) Maximum Aggregate Annual Debt Service For Reserve Requirement for all Series of Bonds participating in the Senior Reserve Fund or for all Series of Bonds participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be, (b) ten percent of the principal amount of the Bonds that have been issued and are participating in the Senior Reserve Fund or the Bonds that have been issued and are participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be, less the amount of original issue discount with respect to any Bond if such original issue discount exceeded 2% on such Bond at the time of its original sale and (c) 125% of the average Aggregate Annual Debt Service For Reserve Requirement for all Series of Bonds participating in the Senior Reserve Fund or for all Series of Bonds participating in a separately created Senior Debt Service Reserve Fund created pursuant to a Supplemental Senior Indenture, as the case may be.

“Responsible Officer” means an officer or assistant officer of the Senior Trustee assigned by the Senior Trustee to administer the Master Senior Indenture.

“Revenues” means, except to the extent specifically excluded herefrom, 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” will also 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 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 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 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.

“S&P” means Standard & Poor’s Ratings Services, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“*Second Supplemental Senior Indenture*” means the Second Supplemental Senior Trust Indenture, dated as of November 1, 2010, by and between the City and the Senior Trustee and which sets forth the terms of the Series 2010 Bonds.

“*Senior Debt Service Fund*” or “*Senior Debt Service Funds*” means a Senior Debt Service Fund or any of the Senior Debt Service Funds required to be established as provided by the Master Senior Indenture.

“*Senior Debt Service Reserve Fund*” means any Senior Debt Service Reserve Fund (other than the Senior Reserve Fund) established by the City or the Senior Trustee pursuant to a Supplemental Senior Indenture in connection with the issuance of any Series of Bonds and that is required to be funded for the purpose of providing additional security for such Series of Bonds and under certain circumstances to provide additional security for such other designated Series of Bonds issued pursuant to the terms of the Master Senior Indenture and as specified in any Supplemental Senior Indenture.

“*Senior Indenture*” means, collectively, the Master Trust Indenture and the Supplemental Senior Indentures.

“*Senior Program Bonds*” means Bonds issued and Outstanding pursuant to a Program, other than Unissued Senior Program Bonds.

“*Senior Repayment Obligations*” means an obligation arising under a written agreement of the City and a Credit Provider pursuant to which the City agrees to repay or reimburse the Credit Provider for amounts paid by a Credit Provider pursuant to a Credit Facility to be used to pay debt service on any Bonds and all other amounts due and owing to a Credit Provider under a Credit Facility, or an obligation

arising under a written agreement of the City and a Liquidity Provider pursuant to which the City agrees to repay or reimburse the Liquidity Provider for amounts paid by the Liquidity Provider pursuant to a Liquidity Facility to be used to pay the purchase price of Bonds and all other amounts due and owing to a Liquidity Provider under a Liquidity Facility.

“*Senior Reserve Fund*” means the trust fund created pursuant to the Master Senior Indenture and that is required to be funded for the purpose of providing additional security for the Outstanding Bonds issued pursuant to the terms of the Master Senior Indenture and as specified in any Supplemental Senior Indenture as participating in the Senior Reserve Fund.

“*Senior Trustee*” means the entity named as such in the heading of the Master Senior Indenture until a successor replaces it and, thereafter, means such successor.

“*Series*” or “*series*” means Bonds designated as a separate Series by a Supplemental Senior Indenture and, with respect to Senior Program Bonds or a Commercial Paper Program, means the full Authorized Amount of such Program, regardless of when or whether issued, unless portions thereof are, by Supplemental Senior Indenture, designated as separate Series.

“*Series 2010A Bonds*” means \$48,435,000 aggregate principal amount of Bonds issued under the Master Senior Indenture and the Second Supplemental Senior Indenture and designated as “City of Long Beach, California Senior Airport Revenue Bonds Series 2010A.”

“*Series 2010A Construction Fund*” means the Construction Fund of such designation established pursuant to the Second Supplemental Senior Indenture and into which money is to be deposited to pay Costs of the Series 2010A Project.

“*Series 2010A Costs of Issuance Account*” means the Account of such designation established in the Series 2010 Costs of Issuance Fund pursuant to the Second Supplemental Senior Indenture and into which money is to be deposited to pay Costs of Issuance of the Series 2010A Bonds.

“*Series 2010A Project*” means, collectively, any or all of those capital expenditures listed in the Second Supplemental Senior Indenture which are to be financed from amounts deposited into the Series 2010A Construction Fund.

“*Series 2010A Senior Debt Service Fund*” means the Senior Debt Service Fund of such designation established pursuant to the Second Supplemental Senior Indenture and into which money is to be deposited to pay debt service on the Series 2010A Bonds.

“*Series 2010B Bonds*” means \$12,965,000 aggregate principal amount of Bonds issued under the Master Senior Indenture and the Second Supplemental Senior Indenture and designated as “City of Long Beach, California Senior Airport Revenue Bonds Series 2010B.”

“*Series 2010B Costs of Issuance Account*” means the Account of such designation established in the Series 2010 Costs of Issuance Fund pursuant to the Second Supplemental Senior Indenture and into which money is to be deposited to pay Costs of Issuance of the Series 2010B Bonds.

“*Series 2010B Senior Debt Service Fund*” means the Senior Debt Service Fund of such designation established pursuant to the Second Supplemental Senior Indenture and into which money is to be deposited to pay debt service on the Series 2010B Bonds.

“*Series 2010 Bonds*” means collectively, the Series 2010A Bonds and the Series 2010B Bonds.

“*Series 2010 Costs of Issuance Fund*” means the Fund of such designation established pursuant to the Second Supplemental Senior Indenture and into which moneys are to be deposited to pay Costs of Issuance of the Series 2010 Bonds.

“*Series 2010 Rebate Fund*” means the Fund of such designation established pursuant to the Second Supplemental Senior Indenture.

“*Series 2010 Reserve Account*” means the Account of such designation established in the Senior Reserve Fund pursuant to the Second Supplemental Senior Indenture.

“*Series A Subordinate Airport Commercial Paper Notes*” means \$3,750,000 aggregate principal amount of the City’s Subordinate Airport Revenue Commercial Paper Notes Series A, to be current refunded with a portion of the proceeds of the Series 2010B Bonds.

“*Series B Subordinate Airport Commercial Paper Notes*” means \$13,322,000 aggregate principal amount of the City’s Subordinate Airport Revenue Commercial Paper Notes Series B, to be current refunded with a portion of the proceeds of the Series 2010A Bonds.

“*Significant Portion*” means, for purposes of the Master Senior Indenture, any facilities of the Enterprise or portions thereof which, if such facilities had been sold or disposed of by the City at the beginning of an annual period which includes the month of commencement of the 12-month period ending on the day of such disposition would have resulted in a reduction in Net Revenues for such annual period of more than 5% when the actual Net Revenues for such annual period are decreased by the Revenues directly attributable to such facilities and increased by the expenses of the City directly attributable to such facilities. The City will notify each of the Rating Agencies that the City has requested ratings from and who are then maintaining a rating on any of the Bonds prior to the selling or disposing of a Significant Portion of any facilities of the Enterprise or portions thereof.

“*Special Facilities*” or “*Special Facility*” means a facility or group of facilities or improvements or category of facilities or improvements which are designated as a Special Facility pursuant to the provisions of the Master Senior Indenture.

“*Special Facilities Revenue*” means the contractual payments and all other revenues (other than ground rentals relating to such Special Facility) derived by or available to the City from a Special Facility which are pledged to secure Special Facility Obligations.

“*Special Facility Obligations*” means bonds or other debt instruments issued pursuant to an indenture other than the Master Senior Indenture to finance Special Facilities and which, except as otherwise provided in the Master Senior Indenture, are not secured by nor payable from a lien on and pledge of the Net Revenues but which are secured by revenues derived from Special Facilities.

“*State*” means the State of California.

“*Subaccount*” means any subaccount established pursuant to the Master Senior Indenture or any Supplemental Senior Indenture.

“*Subordinate Airport Commercial Paper Notes*” means the City’s Subordinate Airport Revenue Commercial Paper Notes issued and outstanding, from time to time, pursuant to the Subordinate Indenture.

“*Subordinate Indenture*” means the Master Subordinate Trust Indenture, dated as of November 1, 2004, by and between the City and the Subordinate Senior Trustee, as trustee, as amended and supplemented from time to time.

“*Supplemental Senior Indenture*” means any document supplementing or amending the Master Senior Indenture or providing for the issuance of Bonds and entered into as provided in the Master Senior Indenture.

“*Swap*” means any financial arrangement between the City and a Swap Provider which provides that (a) each of the parties will pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate or index) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid will reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued will reflect the time value of such funds; (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one will pay to the other any net amount due under such arrangement.

“*Swap Provider*” means a party to a Swap with the City.

“*Swap Termination Payment*” means an amount payable by the City or a Qualified Swap Provider, in accordance with a Qualified Swap, to compensate the other party to the Qualified Swap for any losses and costs that such other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Qualified Swap.

“*Synthetic Fixed Rate Debt*” means indebtedness issued by the City which: (a) is combined, as Designated Debt, with a Qualified Swap and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consisting of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on off-setting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“*Tax Certificate*” means the Tax Compliance Certificate, dated the date of issuance of the Series 2010 Bonds, as amended from time to time, entered into by the City and executed with respect to the Series 2010 Bonds.

“*Tender Indebtedness*” means any Bonds or portions of Bonds a feature of which is an option and/or an obligation on the part of the Bondholders, under the terms of such Bonds, to tender all or a portion of such Bonds to the City, the Senior Trustee, the Paying Agent or other fiduciary or agent or Credit Provider or Liquidity Provider for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

“*Term Bonds*” means Bonds of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Senior Indenture for such Series for that purpose and calculated to retire the Bonds on or before their specified maturity dates.

“*Transfer*” means for any Fiscal Year the amount on deposit in the Coverage Deposit Account on the first (1st) 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 (1st) day of such Fiscal Year (after all deposits and payments required by the Master Senior Indenture).

“*Unissued Senior Program Bonds*” means the bonds, notes or other indebtedness authorized to be issued pursuant to a Program and payable from Net Revenues, issuable in an amount up to the Authorized Amount relating to such Program, which have been approved for issuance by the City pursuant to a resolution adopted by the City Council and with respect to which Program the items described in the Master Senior Indenture have been filed with the Senior Trustee but which have not yet been authenticated and delivered pursuant to the Program documents.

“*Variable Rate Indebtedness*” means any Bond or Bonds the interest rate on which is not, at the time in question, fixed to maturity, excluding any Commercial Paper Program.

THE MASTER SENIOR INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SERIES 2010 BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Senior Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Senior Indenture.

Grant to Secure Bonds; Pledge of Net Revenues

To secure the payment of the principal, purchase price, Accreted Value of, premium, interest, and such other amounts due on the Bonds and the performance and observance by the City of all the covenants, agreements and conditions expressed or implied in the Master Senior Indenture or contained in the Bonds, the City hereby pledges and assigns to the Senior Trustee and grants to the Senior Trustee a lien on and security interest in all right, title and interest of the City in and to all of the following and provides that such lien and security interest will be prior in right to any other pledge, lien or security interest created by the City in the following: (a) the Net Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Senior Trustee under the Master Senior Indenture, and to the extent provided in any Supplemental Senior Indenture moneys and securities held in any Construction Fund whether or not held by the Senior Trustee, (c) earnings on amounts included in clauses (a) and (b) of this Granting Clause (except to the extent excluded from the definition of “Revenues” by the Master Senior Indenture), and (d) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time hereafter, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Senior Trustee as additional security under the Master Senior Indenture, for the equal and proportionate benefit and security of all Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, will, with respect to the security provided by this Granting Clause, be of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. The Senior Reserve Fund, any Senior Debt Service Reserve Fund and any Reserve Fund Surety Policy provided at any time in satisfaction of all or a portion of the Reserve Requirement and any other security, Liquidity Facility or Credit Facility provided for specific Bonds, a specific Series of Bonds or one or more Series of Bonds may, as provided by a Supplemental Senior Indenture, secure only such specific Bonds, Series of Bonds or one or more Series of Bonds and, therefore, will not be included as security for all Bonds under the Master Senior Indenture unless otherwise provided by a Supplemental Senior Indenture and moneys and securities held in trust as provided in the Master Senior Indenture exclusively for Bonds which have become due and payable and moneys and securities which are held exclusively to pay Bonds which are

deemed to have been paid under the Master Senior Indenture will be held solely for the payment of such specific Bonds.

Additional Senior Bonds

Subject to the provisions under subsections (i), (ii) or (iii) below, as a condition to the issuance of any Series of Bonds, there will first be delivered to the Senior Trustee either:

(a) a certificate, dated as of a date between the date of pricing of the Bonds being issued and the date of delivery of such 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 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 Bonds, Unissued Senior Program Bonds and the proposed Series of Bonds, calculated as if the proposed Series of 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 Bonds being issued and the date of delivery of such 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 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 Bonds (not including the proposed Series of 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 Bonds during which no interest on such Series of 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 Bonds, or (B) the third full Fiscal Year during which no interest on such Series of 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 Bonds, Unissued Senior Program Bonds and the proposed Series of Bonds (calculated as if the proposed Series of Bonds and the full Authorized Amount of such proposed Senior Program Bonds (as applicable) were then Outstanding).

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, 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 Bonds being issued are for the purpose of refunding then Outstanding Bonds and there is delivered to the Senior Trustee, instead, a certificate of the Authorized City Representative showing that Aggregate Annual Debt Service for each Fiscal Year after the issuance of such Refunding 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 Bonds being issued constitute 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 Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Notes and there is delivered to the Senior Trustee a certificate of an Authorized City Representative setting forth calculations showing that for each of the Fiscal Years during which the Notes will be Outstanding, and taking into account the debt service becoming due on such Notes, the City will be in compliance with the Master Senior Indenture; or

(C) if the Bonds being issued are to pay costs of completing a Project for which Bonds have previously been issued and the principal amount of such Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the 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 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 Bonds previously issued for such purpose) and (z) the proceeds to be received from the issuance of such Bonds plus moneys available in the Construction Fund established for the Project (including unspent proceeds of the Bonds previously issued for such purpose) will be sufficient to pay the remaining estimated Costs of the Project.

Senior Repayment Obligations Afforded Status of Bonds

If a Credit Provider or Liquidity Provider makes payment of principal of and/or interest on a Bond or advances funds to purchase or provide for the purchase of Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the City, but is not reimbursed, the Senior Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Bond issued under the Master Senior Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Bondholder and such Bond will be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Master Senior Indenture; provided, however, the payment terms of the Bond held by the Credit Provider or the Liquidity Provider under the Master Senior Indenture will be as follows (unless otherwise provided in the written agreement with the Credit Provider or Liquidity Provider or a Supplemental Senior Indenture pursuant to which the Bonds are issued): (a) interest will be due and payable quarterly at the Credit Provider's or Liquidity Provider's prime rate plus three percent and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, (ii)(A) if shorter, a term extending to the maturity date of the enhanced Bonds or (B) if later, the final maturity of the Senior Repayment Obligation under the written agreement, and providing substantially level Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Senior Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Senior Repayment Obligation. Any amount which comes due on the Senior Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Bond will be payable from Net Revenues on a basis subordinate to the payment and/or funding of the Bonds and any reserve funds established with respect to the Bonds. This provision will not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of any Supplemental Senior Indenture. The Senior Trustee may conclusively rely on a written certification by the Credit Provider or the Liquidity Provider of the amount of such non-reimbursement and that such Senior Repayment Obligation is to be afforded the status of a Bond under the Master Senior Indenture.

In addition to the Senior Repayment Obligations described above, any other amounts owed by the City to a Credit Provider or a Liquidity Provider pursuant to the provisions of a written agreement between the City and the Credit Provider or the Liquidity Provider, that are Senior Repayment Obligations under such written agreement, will, if so provided in the written agreement, be afforded the status of a Bond issued under the Master Senior Indenture and, if afforded such status, the Credit Provider or the Liquidity Provider will be deemed to be the Holder of such Bond, and such Bond will be deemed to have been issued at the time of the original Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Master Senior Indenture. Such Senior Repayment Obligation will be paid in accordance with the terms of the Supplemental Senior Indenture pursuant to which the Bonds are issued or the terms of the agreement with the Credit Provider or the Liquidity Provider.

Revenues and Funds

Creation and Funding of and Withdrawals From Senior Debt Service Funds. The City will, at the time of issuance of each Series of Bonds create a debt service fund for such Series, which debt service fund will be designated “City of Long Beach, California Senior Airport Revenue [Obligations/Bonds/Commercial Paper Notes] Series _____ Senior Debt Service Fund” (each, respectively, a “**Senior Debt Service Fund**”), which Senior Debt Service Fund and all accounts will be held by the Senior Trustee or any agent of the Senior Trustee, and amounts to be used to pay principal of and interest on such Series, as received by the Senior Trustee or its agent, will be deposited therein and used for such purpose. Accounts and subaccounts will be created in the various Senior Debt Service Funds and will be held by the Senior Trustee or such agents as will be provided by Supplemental Senior Indenture.

On each Payment Date for any Outstanding Bonds, the Senior Trustee will pay to the Owners of the Bonds of a given Series from the appropriate Senior Debt Service Fund or Senior Debt Service Funds, an amount equal to the principal of and interest becoming due on such Series of Bonds.

The moneys in each Senior Debt Service Fund will be held in trust and applied as provided in the Master Supplemental Indenture and in the applicable Supplemental Senior Indenture with regard to each such fund, and pending the application of such amounts in accordance with the Master Senior Indenture and with the provisions of such Supplemental Senior Indenture will be subject to a lien on and security interest in favor of the holders of the Bonds issued and Outstanding.

Money set aside and placed in a Senior Debt Service Fund for any Series of Bonds will remain therein until from time to time expended for the aforesaid purposes thereof and will not be used for any other purpose whatsoever, except that any such money so set aside and placed in a Senior Debt Service Fund may be temporarily invested as provided in the Master Senior Indenture, but such investment will not affect the obligation of the City to cause the full amount required by the terms of this Section to be available in a Senior Debt Service Fund at the time required to meet payments of principal of and interest on Bonds of the Series for which it is accumulated. Earnings on such investments upon written request of the City may be transferred into the Enterprise Fund, except that during the continuation of an Event of Default, such earnings will remain in the Senior Debt Service Funds.

All money remaining in a Senior Debt Service Fund on the final Payment Date, in excess of the amount required to make provisions for the payment in full of the interest and/or the principal of the Bonds of the Series for which that Senior Debt Service Fund was established or the payment of amounts required to be rebated, pursuant to the Code, to the United States of America with respect to Bonds of that Series, will be returned to the City and deposited by the City in the Enterprise Fund.

The Senior Trustee will, at least ten Business Days prior to each Payment Date on any Bond, or as otherwise provided in a Supplemental Senior Indenture, give the City notice by telephone, promptly confirmed in writing, of the amount, after taking into account Capitalized Interest, if any, on deposit in each Senior Debt Service Fund, required to be deposited with the Senior Trustee to make each required payment of principal of and interest due on such Payment Date. With respect to any Series of Bonds, the Supplemental Senior Indenture under which such Bonds are issued may provide for different times and methods of notifying the City of Payment Dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Senior Indenture will control.

So long as any of the Bonds are Outstanding, the City will not later than the fifteenth day of each calendar month, transfer from the Enterprise Fund to the Senior Trustee for deposit in the Senior Debt Service Fund established in respect of each Series of Outstanding 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 Bonds of that Series, as it becomes due, will be set aside in that Senior Debt Service Fund 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 Bonds of that Series, will be set aside in that Senior Debt Service Fund 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 Term Bonds of such Series will be set aside in that Senior Debt Service Fund by not later than the fifteenth day of the month prior to the date such sinking installment payment becomes due. No such transfer need be made in respect of any Series of Bonds prior to the actual delivery of that Series of Bonds to the purchasers thereof; provided, however, that subsequent to the issuance of such Series of Bonds, there will be transferred and paid from the Enterprise Fund to the Senior Debt Service Fund established for that Series of Bonds, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the fifteenth day of the calendar month immediately succeeding the issuance of such Series of Bonds, so that interest due on such Series of Bonds on the first interest payment date to occur after the issuance of such Series of Bonds will be fully funded at least one Business Day prior to the date the first installment of interest is due on such Series of Bonds, and, if the first principal payment or sinking fund installment of such Series of Bonds is due less than 12 months after the issuance of such Series of Bonds, there will be transferred and paid from the Enterprise Fund to the Senior Debt Service Fund established for that Series of Bonds, equal monthly sums at least sufficient together with other transfers required to be made, commencing not later than the fifteenth day of the calendar month immediately succeeding the issuance of such Series of Bonds, so that principal or sinking fund installments of such Series of Bonds due on the first principal payment date to occur after the issuance of such Series of Bonds will be fully funded at least one Business Day prior to the date the first principal payment or sinking fund installment is due on such Series of Bonds. On any day on which the Senior Trustee receives funds from the City to be used to pay principal of or interest on Bonds, the Senior Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Senior Debt Service Funds for the Series of Bonds for which such payments were made. Notwithstanding any of the foregoing provisions of this paragraph, no amount need be transferred from the Enterprise Fund or otherwise deposited into any Senior Debt Service Fund for any Series of Bonds for the payment of principal or interest, respectively, if the amount already on deposit therein and available for such purpose is sufficient to pay in full the amount of principal and/or interest, respectively, coming due on such Bonds on the next succeeding Payment Date.

The City may provide in any Supplemental Indenture that, as to any Series of Bonds Outstanding, any amounts required to be transferred to and paid into a Senior Debt Service Fund may be prepaid, in whole or in part, by being earlier transferred to and paid into that Senior Debt Service Fund, and in that event any subsequently scheduled monthly transfer, or any part thereof, which has been so prepaid need not be made at the time appointed therefor. In any Supplemental Indenture, the City may provide that monies in any redemption account allocable to sinking fund installment payments of a Series may, at the discretion of the City, be applied to the purchase and cancellation of such Series (at a price not greater than par) prior to notice of redemption of such Series. Such Bonds so delivered or previously redeemed or purchased at the direction of the City will be credited by the Senior Trustee at the principal amount thereof to the next scheduled sinking installment payments on Bonds of such Series and any excess over the sinking installment payment deposit required on that date will be credited against future sinking installment deposits in such manner and order as the City may determine in its discretion, and the scheduled principal amount of the Bonds to be redeemed by operation of such sinking installment payments will be accordingly modified in such manner as the City may determine and as specified to the Senior Trustee in writing. With respect to any Series of Bonds, the Supplemental Senior Indenture under which such Bonds are issued may provide for different times and methods of paying the interest and/or

principal payments due on a Payment Date, and, in such event, the terms of such Supplemental Senior Indenture will control.

On any day on which the Senior Trustee receives funds from the City to be used to pay principal of or interest on Bonds, the Senior Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Senior Debt Service Funds for the Series of Bonds for which such payments were made and any excess will be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Senior Trustee does not have sufficient amounts in any Senior Debt Service Fund (without regard to any amounts which may be available in the Senior Reserve Fund or any Senior Debt Service Reserve Funds) to pay in full all amounts of principal and/or interest due on such date, the Senior Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in the Senior Reserve Fund or the various Senior Debt Service Reserve Funds) as follows: first to the payment of past due interest on Bonds of any Series, in the order in which such interest came due, then to the payment of past due principal of Bonds of any Series, in the order in which such principal came due, then to the payment of interest then due and payable on the Bonds of each Series due on such Payment Date and, if the amount available will not be sufficient to pay in full all interest on the Bonds then due, then *pro rata* among the Series according to the amount of interest then due and second to the payment of principal of the Bonds then due and, if the amount available will not be sufficient to pay in full all principal of the Bonds then due, then *pro rata* among the Series according to the principal of the Bonds then due.

If the Senior Reserve Fund or any Senior Debt Service Reserve Fund (or a Credit Facility provided in lieu thereof) have been used to make payments on Bonds secured thereby, then the City may be required by Supplemental Senior Indenture to replenish the Senior Reserve Fund or any Senior Debt Service Reserve Fund or reimburse the Credit Provider from Net Revenues provided that (a) no amount from Net Revenues may be used for such purpose until all payments of principal of and interest on all Bonds which have become due and payable will have been paid in full, (b) the required payments to replenish the Senior Reserve Fund or any Senior Debt Service Reserve Fund or reimburse the Credit Provider will be due in no more than twelve substantially equal monthly installments commencing in the month following any such withdrawal and (c) if the aggregate amount of payments due on any date to replenish the Senior Reserve Fund or any Senior Debt Service Reserve Fund or reimburse the Credit Provider exceeds the amount available for such purpose, the payments made to the Senior Trustee for such purpose will be allocated among the Senior Reserve Fund or any Senior Debt Service Reserve Funds *pro rata* on the basis of the Outstanding Principal Amount of Bonds secured thereby.

Notwithstanding the foregoing, the City may, by Supplemental Senior Indenture, provide for different provisions and timing of deposits with the Senior Trustee and different methods of paying principal of or interest on such Bonds depending upon the terms of such Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the respective Senior Debt Service Fund created for the Series of Bonds for which such Credit Facility is provided.

If the Net Revenues are at any time insufficient to make the deposits required to make payments on the Bonds, the City may, at its election, pay to the Senior Trustee funds from any available sources with the direction that such funds be deposited into the Senior Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

On each Payment Date for any Outstanding Bonds, the Senior Trustee will pay to the Owners of the Bonds of a given Series from the appropriate Senior Debt Service Fund or Senior Debt Service Funds, an amount equal to the principal and interest becoming due on such Series of Bonds.

Maintenance and Operating Reserve Fund. The Board will cause the Maintenance and Operating Reserve Fund to be maintained with the City Treasurer. At the beginning of each Fiscal Year the City will deposit in the Maintenance and Operating Reserve Fund amounts from the Enterprise Fund so that the balance in the Maintenance and Operating Reserve Fund as of the first day of such Fiscal Year, will be equal to not less than 25% nor more than 50% of the budgeted Maintenance and Operation Costs for the current Fiscal Year. Moneys on deposit in the Maintenance and Operating Reserve Fund will be used by the City to pay Maintenance and Operation Costs in the event there are insufficient moneys in the Enterprise Fund to make such payments.

Additional Security. The pledge of Net Revenues and the other security provided in the Granting Clause of the Master Senior Indenture, secure all Bonds issued under the terms of the Master Senior Indenture on an equal and ratable basis, except as to the timing of such payments. The City may, however, in its discretion, provide additional security or credit enhancement for specified Bonds or Series of Bonds with no obligation to provide such additional security or credit enhancement to other Bonds.

Payment of Bonds

The City covenants and agrees that it will duly and punctually pay or cause to be paid from the Net Revenues and the other security set forth in the Granting Clause of the Master Senior Indenture and to the extent thereof the principal of, premium, if any, and interest and other amounts due on every Bond at the place and on the dates and in the manner in the Master Senior Indenture, in the Supplemental Senior Indentures, in the Bonds specified and in a Credit Facility and/or a Liquidity Facility, if any, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Master Senior Indenture, in the Bonds and in a Credit Facility and/or a Liquidity Facility, if any, contained, provided that the City's obligation to make payment of the principal of, premium, if any, and interest and other amounts due on the Bonds will be limited to payment from the Net Revenues and the other security set forth in the Granting Clauses of the Master Senior Indenture and any other source which the City may specifically provide for such purpose and no Bondholder will have any right to enforce payment from any other funds of the City.

Subordinate Obligations

The City may, from time to time, incur indebtedness which is subordinate to the Bonds and which indebtedness is, in the Master Senior Indenture, referred to as Subordinate Obligations. Such indebtedness will be incurred at such times and upon such terms as the City will determine, provided that:

(a) any Supplemental Senior Indenture authorizing the issuance of any Subordinate Obligations will specifically state 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 Bonds; and

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

Special Facilities and Special Facility Obligations

The City will be permitted to designate new or existing Airport Facilities as Special Facilities as permitted in this Section. The City may, from time to time, and subject to the terms and conditions of this

Section, (a) designate a separately identifiable existing facility or improvement or planned facility or improvement as a “Special Facility,” (b) pursuant to an indenture other than the Master Senior Indenture and without a pledge of any Net Revenues (except as otherwise provided in clause (d) below), incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility or improvement, (c) provide that the contractual payments derived from or related to such Special Facility, together with other income and revenues available to the City from such Special Facility to the extent necessary to make the payments required by clause (i) of the second succeeding paragraph, be “Special Facilities Revenue” and not included as Revenues or Net Revenues unless otherwise provided in any supplemental indenture, and (d) provide that the debt so incurred will be a “Special Facility Obligation” and the principal of and interest thereon will be payable solely from the Special Facilities Revenue and the proceeds of such Special Facility Obligation set aside exclusively to pay debt service on such Special Facility Obligation (except the City may, in its sole discretion, determine to make Net Revenues or such other moneys not included in Net Revenues available (through a specific pledge or otherwise and subject to any covenants or other provisions of the Master Senior Indenture or the Subordinate Indenture or such other indentures or agreements of the City) to the payment of the principal of and interest on such Special Facility Obligation in such amounts and at such times as may be agreed to by the City). The City may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations will be payable as to principal, redemption premium, if any, and interest solely from (a) Special Facilities Revenue, which will include contractual payments derived by the City under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the City and another person, firm or corporation, either public or private, as will undertake the operation of a Special Facility, (b) proceeds of such Special Facility Obligations set aside exclusively to pay debt service on such Special Facility Obligations, if any, and (c) such Net Revenues or other moneys not included in Net Revenues made available by the City as provided in clause (d) of the previous paragraph, if any.

No Special Facility Obligations will be issued by the City unless there will have been filed with the Senior Trustee a certificate of an Authorized City Representative stating that:

(a) The estimated Special Facilities Revenue pledged to the payment of the Special Facility Obligations, the proceeds of such Special Facility Obligations set aside exclusively to pay debt service on such Special Facility Obligations, if any, and such Net Revenues or other moneys made available by the City pursuant to clause (d) of the first paragraph of this Section, if any, will be at least sufficient, to pay the principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the City and all sinking fund, reserve or other payments required by the resolution or indenture authorizing the Special Facility Obligations as the same become due; and

(b) With respect to the designation of any separately identifiable existing Airport Facilities or Airport Facility as an “Special Facility” or “Special Facilities”, the estimated Revenues and Net Revenues, calculated without including the new Special Facilities Revenue, the proceeds of any Special Facility Obligations set aside exclusively to pay debt service on such Special Facility Obligations or any Net Revenues or other moneys made available by the City pursuant to clause (d) of the first paragraph of this Section, if any, and without including any operation and maintenance expenses of the Special Facility as Maintenance and Operation Costs, will be sufficient so that the City will be in compliance with the Master Senior Indenture and the Subordinate Indenture during each of the first five complete Fiscal Years immediately following the anticipated closing date of such transaction or financing; and

- (c) No Event of Default then exists under the Master Senior Indenture.

To the extent Special Facilities Revenue received by the City during any Fiscal Year will exceed the amounts required to be paid pursuant to clause (i) of the immediately preceding paragraph for such Fiscal Year, such excess Special Facilities Revenue, to the extent not otherwise encumbered or restricted, may constitute Revenues as determined by the City.

Notwithstanding any other provision of this Section, at such time as the Special Facility Obligations issued for an Special Facility including Special Facility Obligations issued to refinance Special Facility Obligations are fully paid or otherwise discharged, all revenues of the City from such facility will be included as Revenues.

Operation and Maintenance of Enterprise

Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, the City covenants that the Enterprise will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the City will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Enterprise will be obtained and maintained and that all necessary repairs, improvements and replacements of the Enterprise will be made, subject to sound business judgment. Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, the City will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the City, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Enterprise or upon any part thereof, or upon the Revenues or Net Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues or Net Revenues or the Enterprise or any part thereof constituting part of the Enterprise.

Insurance; Application of Insurance Proceeds

- (a) Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(i) the City will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Enterprise and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the City, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports; and

(ii) the City will place on file with the Senior Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized City Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to the Enterprise and the operations of the City. The Senior Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Master Senior Indenture or obtained by the City.

(b) “Qualified Self Insurance” means insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the City may have a material interest and of which the City may have control, either singly or with others. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the City determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self-insurance program will be reviewed at least once every twelve (12) months by a Consultant who will deliver to the City a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, they will make a recommendation as to the amount of reserves that should be established and maintained, and the City will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the City.

(c) If, as a result of any event, any part of the Enterprise is destroyed or severely damaged, the City will create within the Enterprise Fund a special account and will credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Enterprise, or portion thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport Facilities, (iii) redeem Bonds, or (iv) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Master Senior Indenture; provided, however, that the City will first deliver to the Senior Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Bonds, the test set forth in the Master Senior Indenture would, nevertheless, be met.

Transfer of Airport Facility or Airport Facilities

The City will not, except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. For purposes of this Section, any transfer of an asset over which the City retains substantial control in accordance with the terms of such transfer, will not, for so long as the City has such control, be deemed a disposition of an Airport Facility or Airport Facilities.

The City may transfer, sell or otherwise dispose of Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions:

(a) the property being disposed of is inadequate, obsolete or worn out; or

(b) the property proposed to be disposed of and all other Airport Facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Enterprise Fund to be used as described below and the City believes that such disposal will not prevent it from fulfilling its obligations under the Master Senior Indenture; or

(c) the City receives fair market value for the property, the proceeds are deposited in the Enterprise Fund to be used as described below, and prior to the disposition of such property, there is delivered to the Senior Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance

with the expectations of the City as evidenced by a certificate of an Authorized City Representative, the Consultant estimates that the City will be in compliance with the Master Senior Indenture during each of the first five (5) Fiscal Years immediately following such disposition.

Proceeds of the disposition of assets under paragraph (b) or (c) above will be deposited into the Enterprise Fund and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue-producing Airport Facilities, (ii) redeem Bonds, (iii) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Master Senior Indenture; or (iv) used for any other permitted Airport purpose.

Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of paragraph (a) above, unless the City has first received a written opinion of Bond Counsel to the effect that such disposition and the application of any disposition proceeds thereof will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition will be made which would cause the City to be in default of any other covenant contained in the Master Senior Indenture.

Investments

All moneys in the Enterprise Fund may be invested by the City from time to time in any Authorized Investments. All moneys held by the Senior Trustee in any of the funds or accounts established pursuant to the Master Senior Indenture or any Supplemental Senior Indenture will be invested and reinvested as directed in writing by the City, in Permitted Investments. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account. Except as otherwise provided in a Supplemental Senior Indenture, all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Master Senior Indenture will be deposited in the fund or account from which such investment was made; except that all interest or gain derived from the investment of amounts in the Senior Reserve Fund or any Senior Debt Service Reserve Fund will be deposited in the corresponding Senior Debt Service Fund to the extent not required to maintain the Reserve Requirement with respect to the deposit in the Senior Reserve Fund or such Senior Debt Service Reserve Fund. The City will direct such investments by written certificate (upon which the Senior Trustee may conclusively rely) of an Authorized City Representative; in the absence of any such instructions, the Senior Trustee will, to the extent practicable, invest in Permitted Investments specified in clause (q) of the definition thereof; provided that as long as the Senior Trustee is The Bank of New York Mellon Trust Company, N.A., the Senior Trustee will invest such money in the money market fund set forth in the letter of authorization and direction executed by the City and delivered to the Senior Trustee. If no specific money market fund has been specified by the City, the Senior Trustee will make a request to the City for investment directions. Such moneys will be held in cash, uninvested, until specific investment directions are provided by the City to the Senior Trustee.

The Senior Trustee may sell or present for prepayment, any Permitted Investment so purchased by the Senior Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Senior Trustee will not be liable or responsible for any loss resulting from any such Permitted Investment.

The Senior Trustee may buy or sell any Permitted Investment through its own (or any of its affiliates) investment department.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City will not receive such confirmations to the extent permitted by law. The Senior Trustee will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Senior Trustee under the Master Senior Indenture.

Defeasance

Bonds or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Senior Indenture except for the purposes of payment from moneys, or Federal Securities held by the Senior Trustee or a Paying Agent for such purpose. When all Bonds which have been issued under the Master Senior Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Senior Indenture by the City, including all necessary and proper fees, compensation and expenses of the Senior Trustee, the Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Senior Trustee in and to the pledge of Net Revenues, the other security set forth in the Granting Clause of the Master Senior Indenture and the other assets pledged to secure the Bonds under the Master Senior Indenture will thereupon cease, terminate and become void, and thereupon the Senior Trustee will cancel, discharge and release the Master Senior Indenture, will execute, acknowledge and deliver to the City such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the City any property and revenues at the time subject to the Master Senior Indenture which may then be in the Senior Trustee's possession, except funds or securities in which such funds are invested and are held by the Senior Trustee or the Paying Agent for the payment of the principal of, premium, if any, and interest on the Bonds.

A Bond will be deemed to be paid within the meaning of the Master Senior Indenture when payment of the principal, interest and premium or other amounts, if any, either (a) will have been made or caused to be made in accordance with the terms of the Bonds and the Master Senior Indenture or (b) will have been provided for, as certified to the Senior Trustee by a nationally recognized accounting firm, by irrevocably depositing with the Senior Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Federal Securities maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Bonds will be deemed to be paid under the Master Senior Indenture, such Bonds will no longer be secured by or entitled to the benefits of the Master Senior Indenture, except for the purposes of payment from such moneys or Federal Securities.

Any deposit made under clause (b) of the foregoing paragraph will be deemed a payment of such Bonds. Once such deposit will have been made, the Senior Trustee will notify all holders of the affected Bonds that the deposit under clause (b) of the foregoing paragraph has been made with the Senior Trustee and that such Bonds are deemed to have been paid in accordance with the Master Senior Indenture. Notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Senior Indenture under which such Bonds were issued. The City may at any time, prior to issuing such notice of redemption as may be required by the Supplemental Senior Indenture under which such Bonds were issued, modify or otherwise change the scheduled date for the redemption or payment of any Bond deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Bonds or the Master Senior Indenture subject to (A) receipt of an approving opinion of nationally recognized Bond Counsel that such action will not adversely affect the tax-exemption of any Bond or Bonds then Outstanding and (B) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Federal Securities to provide for the payment of such Bonds. Notwithstanding anything in the Master Senior Indenture to the

contrary, monies from the trust or escrow established for the defeasance of Bonds may be withdrawn and delivered to the City so long as the requirements of clauses (A) and (B) above are met prior to or concurrently with any such withdrawal.

In connection with the redemption or defeasance, or partial redemption or defeasance of Bonds, the City may permit, or cause to be assigned to Bonds of a single maturity, multiple CUSIP numbers.

Defaults and Remedies

Events of Default. Each of the following events will constitute and is referred to in the Master Senior Indenture as a “Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when such interest will become due and payable;

(c) except as otherwise provided in a Supplemental Senior Indenture, a failure to pay the purchase price of any Bond when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Senior Indenture;

(d) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) that are to be observed or performed by the City and which are contained in the Master Senior Indenture or a Supplemental Senior Indenture, which failure, except for a violation under the Master Senior Indenture which will be controlled by the provisions set forth therein, will continue for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, will have been given to the City by the Senior Trustee, which notice may be given at the discretion of the Senior Trustee and will be given at the written request of holders of 25% or more of the Principal Amount of the Bonds then Outstanding, unless the Senior Trustee, or the Senior Trustee and the holders of Bonds in a Principal Amount not less than the Principal Amount of Bonds the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Senior Trustee or the Senior Trustee and the holders of such principal amount of Bonds will be deemed to have agreed to an extension of such period if corrective action is initiated by the City within such period and is being diligently pursued until such failure is corrected;

(e) the filing by the City of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition, filed with or without the consent of the City, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the City or of the whole or any substantial part of the Enterprise; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Senior Indenture.

If, on any date on which payment of principal of or interest on the Bonds is due and sufficient moneys are not on deposit with the Senior Trustee or Paying Agent to make such payment, the Senior Trustee will give telephone notice of such insufficiency to the City.

Remedies.

(a) Upon the occurrence and continuance of any Event of Default, the Senior Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Principal Amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Senior Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the City to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Master Senior Indenture;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) The Senior Trustee will be under no obligation to take any action with respect to any Event of Default unless the Senior Trustee has actual knowledge of the occurrence of such Event of Default.

(c) Except with respect to a Credit Provider or a Liquidity Provider as provided in a Supplemental Senior Indenture or a written agreement between the City and a Credit Provider or a Liquidity Provider, in no event, upon the occurrence and continuation of an Event of Default described in the Master Senior Indenture, will the Senior Trustee, the Bondholders, a Credit Provider, a Liquidity Provider or any other party have the right to accelerate the payment of principal of and interest on the Bonds Outstanding.

Bondholders' Right to Direct Proceedings. Anything in the Master Senior Indenture to the contrary notwithstanding, holders of not less than 51% in aggregate Principal Amount of the Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Senior Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Senior Trustee under the Master Senior Indenture to be taken in connection with the enforcement of the terms of the Master Senior Indenture or exercising any trust or power conferred on the Senior Trustee by the Master Senior Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Senior Indenture and that there will have been provided to the Senior Trustee security and indemnity satisfactory to the Senior Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Senior Trustee.

Limitation on Right to Institute Proceedings. No Bondholder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Senior Indenture, or any other remedy under the Master Senior Indenture or on such Bonds, unless such Bondholder or Bondholders previously will have given to the Senior Trustee written notice of an Event of Default as hereinabove provided and unless also holders of 25% or more of the Principal Amount of the

Bonds then Outstanding will have made written request of the Senior Trustee to do so, after the right to institute such suit, action or proceeding under the Master Senior Indenture will have accrued, and will have afforded the Senior Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Senior Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Senior Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Senior Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Master Senior Indenture, or to enforce any right under the Master Senior Indenture or under the Bonds, except in the manner provided in the Master Senior Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Senior Indenture and for the equal benefit of all Bondholders.

The Senior Trustee

Standard of Care. If an Event of Default has occurred and is continuing, the Senior Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Senior Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (i) the Senior Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Senior Trustee was negligent in ascertaining the pertinent facts; and (ii) the Senior Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders or the City in the manner provided in the Master Senior Indenture.

Notice of Defaults. If (a) an Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default and, with respect to such events for which notice to the City is required before such events will become Events of Default, such notice has been given, then the Senior Trustee will promptly, after obtaining actual notice of such Event of Default, give notice thereof to each Bondholder. The Senior Trustee will not be deemed to have knowledge of any Event of Default of the type described in the Master Senior Indenture unless and until it will have actual knowledge thereof by receipt of written notice thereof at its corporate trust office. Except in the case of a default in payment or purchase on any Bonds, the Senior Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Bondholders.

Eligibility of Senior Trustee. The Master Senior Indenture will always have a Senior Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Senior Trustee. The Senior Trustee may resign by notifying the City in writing prior to the proposed effective date of the resignation. The holders of not less than 51% in aggregate Principal Amount of the Bonds may remove the Senior Trustee by notifying the removed Senior Trustee and may appoint a successor Senior Trustee with the City's consent. The City may remove the Senior

Trustee, by notice in writing delivered to the Senior Trustee at least sixty (60) days prior to the proposed removal date; provided, however, that the City will have no right to remove the Senior Trustee during any time when an Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Senior Trustee under this subsection will be effective until a new Senior Trustee has taken office and delivered a written acceptance of its appointment to the retiring Senior Trustee and to the City. Immediately thereafter, the retiring Senior Trustee will transfer all property held by it as Senior Trustee to the successor Senior Trustee, the resignation or removal of the retiring Senior Trustee will then (but only then) become effective and the successor Senior Trustee will have all the rights, powers and duties of the Senior Trustee under the Master Senior Indenture.

If the Senior Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Senior Indenture, the City will promptly appoint a successor Senior Trustee.

If a Senior Trustee is not performing its duties under the Master Senior Indenture and a successor Senior Trustee does not take office within sixty (60) days after the retiring Senior Trustee delivers notice of resignation or the City delivers notice of removal, the retiring Senior Trustee, the City or the holders of not less than 51% in aggregate Principal Amount of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Senior Trustee.

Amendments

Amendments Without Consent of Bondholders. The City may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Senior Indentures supplementing and/or amending the Master Senior Indenture or any Supplemental Senior Indenture as follows:

- (a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of the Master Senior Indenture and to set forth the terms of such Bonds and the special provisions which will apply to such Bonds;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Senior Indenture or any Supplemental Senior Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;
- (c) to add to the covenants and agreements of the City in the Master Senior Indenture or any Supplemental Senior Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the City, provided such supplement or amendment will not adversely affect the interests of the Bondholders;
- (d) to confirm, as further assurance, any interest of the Senior Trustee in and to the pledge of Net Revenues or in and to the funds and accounts held by the Senior Trustee or in and to any other moneys, securities or funds of the City provided pursuant to the Master Senior Indenture or to otherwise add additional security for the Bondholders;
- (e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Senior Indenture at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Senior Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(h) to qualify the Bonds or a Series of Bonds for a rating or ratings from a Rating Agency;

(i) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the City from time to time deems appropriate to incur;

(j) to accommodate the use of a Credit Facility or Liquidity Facility for specific Bonds or a specific Series of Bonds;

(k) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Bonds, including, without limitation, the segregation of Revenues and Net Revenues into different funds; and

(l) to modify, alter, amend or supplement the Master Senior Indenture or any Supplemental Senior Indenture in any other respect which is not materially adverse to the Bondholders.

Before the City will, pursuant to this subsection, execute any Supplemental Senior Indenture, there will have been delivered to the City and Senior Trustee an opinion of Bond Counsel to the effect that such Supplemental Senior Indenture: (y) is authorized or permitted by the Master Senior Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms and (z) will not cause interest on any of the Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel required pursuant to clause (z) in the preceding sentence will not be required for a Supplemental Senior Indenture executed and delivered in accordance with the Master Senior Indenture.

Supplemental Senior Indenture Requiring Consent of Bondholders.

(a) Except for any Supplemental Senior Indenture entered into pursuant to the Master Senior Indenture and any Supplemental Senior Indenture entered into pursuant to paragraph (b) below, subject to the terms and provisions contained in this subsection and elsewhere in the Master Senior Indenture, the holders of not less than 51% in aggregate Principal Amount of the Bonds then Outstanding will have the right from time to time to consent to and approve the execution by the City of any Supplemental Senior Indenture deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Senior Indenture or in a Supplemental Senior Indenture; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding or unless such change affects less than all Series of Bonds and paragraph (b) below is applicable, nothing contained in the Master Senior Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts

or currency of payment of the principal of or interest on any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing contained in the Master Senior Indenture, including the provisions of paragraph (b) below, will, unless approved in writing by the holders of all the Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Senior Indenture) upon or pledge of the Net Revenues created by the Master Senior Indenture or the other security set forth in the Granting Clause of the Master Senior Indenture, ranking prior to or on a parity with the claim created by the Master Senior Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds with respect to the security granted therefor under the Granting Clauses of the Master Senior Indenture, or (v) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Senior Indenture. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Bondholders of the execution of any Supplemental Senior Indenture as authorized in the Master Senior Indenture, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Net Revenues.

(b) The City may, from time to time and at any time, execute a Supplemental Senior Indenture which amends the provisions of an earlier Supplemental Senior Indenture under which a Series or multiple Series of Bonds were issued. If such Supplemental Senior Indenture is executed for one of the purposes set forth in the Master Senior Indenture, no notice to or consent of the Bondholders will be required. If such Supplemental Senior Indenture contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding, then this paragraph (b) rather than paragraph (a) above will control and, subject to the terms and provisions contained in this paragraph (b) and elsewhere in the Master Senior Indenture, the holders of not less than 51% in aggregate Principal Amount of the Bonds of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Senior Indenture deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Senior Indenture and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Bonds of all the affected Series then Outstanding, nothing contained in the Master Senior Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Senior Indenture as authorized in the Master Senior Indenture, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Net Revenues.

(c) If at any time the City will desire to enter into any Supplemental Senior Indenture for any of the purposes of this subsection, the City will cause notice of the proposed execution of the Supplemental Senior Indenture to be given by Mail to all Bondholders or, under paragraph (b) above, all Bondholders of the affected Series. Such notice will briefly set forth the nature of the proposed Supplemental Senior Indenture and will state that a copy thereof is on file at the office of the City for inspection by all Bondholders and it will not be required that the Bondholders approve the final form of such Supplemental Senior Indenture but it will be sufficient if such Bondholders approve the substance thereof.

(d) The City may execute and deliver such Supplemental Senior Indenture in substantially the form described in such notice, but only if there will have first been delivered to the City (i) the required consents, in writing, of Bondholders and (ii) the opinion of Bond Counsel required by the Master Senior Indenture.

(e) If Bondholders of not less than the percentage of Bonds required by this subsection will have consented to and approved the execution and delivery thereof as provided in the Master Senior Indenture, no Bondholders will have any right to object to the adoption of such Supplemental Senior Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the City from executing the same or from taking any action pursuant to the provisions thereof.

(f) Notwithstanding paragraphs (c) through (e) above, the City may, at its discretion, execute and deliver such Supplemental Senior Indenture which contains such modifications, alterations, amendments or supplements prior to receipt of the required consents in writing, of the Holders; provided, that such Supplemental Senior Indenture or the applicable provisions of such Supplemental Senior Indenture subject to the consents of the Holders will not become effective until such time as there has been delivered to the City (i) the required consents, in writing, of Holders and (ii) the opinion of Bond Counsel required by the Master Senior Indenture. In the event the City decides to execute and deliver a Supplemental Senior Indenture in accordance with this paragraph (f), the notice required in paragraph (c) above will make reference to a final and executed Supplemental Senior Indenture as opposed to a proposed Supplemental Senior Indenture.

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THE SECOND SUPPLEMENTAL SENIOR INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SERIES 2010 BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the Second Supplemental Senior Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Second Supplemental Senior Indenture.

Terms of the Series 2010 Bonds

The Second Supplemental Senior Indenture sets forth the terms of the Series 2010 Bonds, most of which terms are described in the forepart of this Official Statement under “DESCRIPTION OF THE SERIES 2010 BONDS.”

Establishment of Funds and Accounts

Pursuant to the Second Supplemental Senior Indenture the Senior Trustee will establish and maintain the following funds and accounts: the Series 2010A Construction Fund, the Series 2010A Senior Debt Service Fund, the Series 2010B Senior Debt Service Fund, the Series 2010 Costs of Issuance Fund, the Series 2010A Costs of Issuance Account, the Series 2010B Costs of Issuance Account, the Series 2010 Reserve Account, the Series 2010 Rebate Fund.

Certain of the funds and accounts will be initially funded with the proceeds of the Series 2010 Bonds and from other sources as described in the forepart of this Official Statement under “ESTIMATED SOURCES AND USES OF FUNDS.”

Series 2010 Debt Service Funds. The Senior Trustee will deposit into the respective Interest Accounts the amounts received from the City, as provided in the Senior Indenture, and the Passenger Facility Charges received from the City, as provided in the Second Supplemental Senior Indenture, to be used to pay interest on the Series 2010 Bonds. The Senior Trustee will also deposit into the respective Interest Accounts any other amounts deposited with the Senior Trustee for deposit in the respective Interest Accounts or transferred from other funds and accounts for deposit therein. Earnings on Passenger Facility Charges in the Interest Accounts will be withdrawn and paid to the City on the Business Day following an Interest Payment Date for deposit into the PFC Account unless an Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such Account. Earnings on amounts (other than earnings on Passenger Facility Charges) in the Interest Accounts will be withdrawn and paid to the City on the Business Day following an Interest Payment Date for deposit into the Enterprise Fund unless an Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such Account.

The Senior Trustee will deposit into the respective Principal Accounts the amounts received from the City, as provided in the Master Senior Indenture, and the Passenger Facility Charges received from the City, as provided in the Second Supplemental Senior Indenture, to be used to pay the principal of the Series 2010 Bonds at maturity or on a mandatory sinking fund redemption date. The Senior Trustee will also deposit into the respective Principal Accounts any other amounts deposited with the Senior Trustee for deposit into the respective Principal Accounts or transferred from other funds and accounts for deposit therein. All amounts deposited to the respective Principal Accounts will be used by the Senior Trustee to pay the principal of the Series 2010 Bonds whether at maturity or by mandatory sinking fund redemption on the applicable Payment Dates. Earnings on amounts (other than Passenger Facility Charges) in the Principal Accounts will be withdrawn by the Senior Trustee and paid to the City for deposit into the

Enterprise Fund unless an Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such Account. Earnings on Passenger Facility Charges in the Principal Accounts will be withdrawn by the Senior Trustee and paid to the City for deposit into the PFC Account unless an Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such Account.

The Senior Trustee will deposit into the respective Redemption Accounts amounts received from the City to be used to pay the redemption price of Series 2010 Bonds being redeemed. The Senior Trustee will also deposit into the respective Redemption Accounts any other amounts (including, but not limited to, Passenger Facility Charges) deposited with the Senior Trustee for deposit into the respective Redemption Accounts or transferred from other funds and accounts for deposit therein. All amounts deposited to the respective Redemption Accounts will be used by the Senior Trustee to pay the redemption price of the Series 2010 Bonds being redeemed. Earnings on amounts (other than Passenger Facility Charges) in the Redemption Accounts will be withdrawn and paid to the City on the Business Day following a redemption date for deposit into the Enterprise Fund unless an Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such Account. Earnings on Passenger Facility Charges in the Redemption Accounts will be withdrawn and paid to the City on the Business Day following a redemption date for deposit into the PFC Account unless an Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such Account.

The Series 2010 Senior Debt Service Funds will be invested and reinvested as directed by an Authorized City Representative in Permitted Investments.

Series 2010 Construction Funds. Amounts in the Series 2010 Construction Funds will be disbursed from time to time, upon requisition of the City, to pay the costs or to reimburse the City for costs incurred in connection with the portion of the Series 2010 Projects for which the Series 2010 Bonds were issued. While held by the Senior Trustee, amounts in the Series 2010 Construction Funds will not secure the Outstanding Series 2010 Bonds. Amounts in the Series 2010 Construction Funds will be invested and reinvested in Permitted Investments as directed by the City and the earnings upon such accounts will be credited to such fund.

Series 2010 Costs of Issuance Fund. The proceeds of the Series 2010 Bonds deposited into the Series 2010 Costs of Issuance Fund will be disbursed by the Senior Trustee, from time to time, to pay Costs of Issuance of the Series 2010 Bonds. Amounts in the Series 2010 Costs of Issuance Fund will be invested and reinvested as directed by an Authorized City Representative in Permitted Investments, and the earnings upon such accounts will be credited to such fund.

Series 2010 Reserve Account. At the time of issuance of the Series 2010 Bonds, a portion of the proceeds of the Series 2010 Bonds will be deposited into the Series 2010 Reserve Account. The Series 2010 Reserve Account will be established for purposes of calculating and accounting for the amount of earnings upon the portion of the Senior Reserve Fund related to the Series 2010 Bonds for rebate purposes, but for all other purposes will be held, invested and used as an integral part of the Senior Reserve Fund as provided in the Master Senior Indenture. For a description of the Senior Reserve Fund reference is made to the Official Statement under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Senior Reserve Fund.”

Series 2010 Rebate Fund. The Second Supplemental Senior Indenture creates the Series 2010 Rebate Fund for the Series 2010 Bonds established for the purpose of complying with certain provisions of the Code which require that the City pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Senior Trustee with respect to the Series 2010 Bonds over

the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Series 2010 Bonds. Such excess is to be deposited into the Series 210 Rebate Fund and periodically paid to the United States of America. The Series 2010 Rebate Fund while held by the Senior Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Series 2010 Bonds.

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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-10-0131 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 2, 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 23rd 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

\$48,435,000
City of Long Beach, California
Senior Airport Revenue Bonds
Series 2010A

\$12,965,000
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 \$48,435,000 aggregate principal amount of its City of Long Beach, California Senior Airport Revenue Bonds, Series 2010A (the "Series 2010A Bonds") and \$12,965,000 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-10-0131, 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 2010A 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 2010A 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 2010B Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2010B Bonds is not a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax.

6. 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 paragraphs 4 and 5 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 2, 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,

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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 and www.dtc.org. The City has not undertaken any responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on the websites described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Series 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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