Council Meeting of
May 25, 2010

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

Subject: Finance - Issuance of Fiscal Year 2010-11 Tax Revenue Anticipation Notes

RECOMMENDATION

Recommendation of the Finance Director that the City Council adopt a **RESOLUTION** approving the sale and issuance of Fiscal Year 2010-11 Tax Revenue Anticipation Notes (TRAN's) not to exceed $33,000,000.

BACKGROUND/ANALYSIS

The issuance of $33,000,000 of Tax and Revenue Anticipation Notes ("TRAN") will assist the City with its working capital needs during the first six months of the 2010-11 fiscal year. Historically, the City has negative cash flow for the first five months of the fiscal year, July through November, until the receipt of property taxes in December are received. The City began issuing TRAN's in the 2007-08 fiscal year. The amount issued for 2007-08 was $28,000,000, $25,000,000 (2008-09), and $23,000,000 for the current fiscal year.

This City's General Fund cash flow became more volatile in the 2004-05 fiscal year due to the redirection of a portion of the City's sales tax by the State, which was typically received monthly, for the repayment of "State Budget Deficit Bonds" and backfilled with property tax which we now receive primarily in December and May. Cash flows have become even more volatile as the State continues to delay payments and borrow from local government revenue streams. In addition, the City has determined that it is economically beneficial for the City to prepay PERS costs at the beginning of the fiscal year at a discounted rate of approximately 3.7%.

Under the interpretation of Sections 53850-53858 of the California Government Code and Federal tax law by the City's bond counsel, Jones Hall, the City may borrow an amount not to exceed the maximum anticipated cash flow deficit plus five percent of working capital reserve if all note proceeds, including investment earnings, are deemed spent within 6 months of the date of the issue of the notes.

This method of financing involves the sale of a TRAN and is a traditional means used by local governments to ensure consistent cash flow during the fiscal year. The City must repay the TRAN within the same fiscal year (therefore preventing any "debt" from being carried forward). The TRAN will provide working capital for the first five months, July through November, of the fiscal year when expenditures exceed incoming revenues.

During the last seven months, November thru June, of the fiscal year the TRAN will be repaid as incoming revenues exceed expenditures, mainly through property and business license taxes.

For the Fiscal Year 2010-11, the City will issue TRAN in the amount not to exceed $33,000,000. The interest rate on the notes will depend on competitive rates at time of the sale.

Staff is recommending that the City Council approve a resolution defining the financial terms of the TRAN as well as the draft preliminary official statement. The preliminary official statement is the offering memorandum and disclosure document that all investors rely on for purposes of determining the credit worthiness of the City.

Respectfully submitted,

Eric E. Tsao
Finance Director

CONCUR:

LeRoy J. Jackson
City Manager

City Manager's note:
The increase in the TRAN amount of $5 million stems from increased PERs prepayment of approximately $1 million, and increasing delayed payments from the State of revenues owed to the City, which reduces the City's cash flow.

Attachments:
A. Resolution
B. Notice of Sale
C. **DRAFT** Preliminary Official Statement (POS)

ATTACHMENT A

RESOLUTION NO. _____

PROVIDING FOR THE BORROWING OF FUNDS FOR FISCAL YEAR 2010-11 AND THE ISSUANCE AND SALE OF 2010-11 TAX AND REVENUE ANTICIPATION NOTES IN AN AMOUNT NOT TO EXCEED $33,000,000 THEREFOR

THE CITY COUNCIL OF THE CITY OF TORRANCE, CALIFORNIA (the "CITY") DOES RESOLVE AS FOLLOWS:

WHEREAS, pursuant to Article 7.6 (commencing with section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Law"), this City Council (the "Council") has found and determined that moneys are needed for the requirements of the City, a municipal corporation and general law city duly organized and existing under the laws of the State of California, to satisfy obligations payable from the General Fund of the City (the "General Fund"), and that it is necessary that said sum be borrowed for such purpose at this time by the issuance of temporary notes therefor in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received by the City for the General Fund during or allocable to the fiscal year of the City beginning July 1, 2010 and ending June 30, 2011 ("Fiscal Year 2010-11");

NOW, THEREFORE, it is hereby DETERMINED and ORDERED as follows:

Section 1. Limitation on Maximum Amount. The principal amount of notes issued pursuant hereto, when added to the interest payable thereon, shall not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys of the City for the General Fund attributable to Fiscal Year 2010-11, and available for the payment of said notes and the interest thereon (as hereinafter provided).

Section 2. Authorization and Terms of Notes. Solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to be received by the City for the General Fund during or allocable to Fiscal Year 2010-11, and not pursuant to any common plan of financing, the City hereby determines to and shall borrow the principal amount of not-to-exceed Thirty-Three Million Dollars ($33,000,000) by the issuance of temporary notes under the Law, designated "City of Torrance, California 2010-11 Tax and Revenue Anticipation Notes" (the "Notes"). The Notes shall be dated the date of initial delivery, shall mature (without option of prior redemption) no later than thirteen months after their date of issuance, and shall bear interest, payable at maturity and computed on a 30-day month/360-day year basis, at a rate not in excess of five percent per annum. Both the principal of and interest on the Notes shall be payable in lawful money of the United States of America, as described below.

Section 3. Form of Notes; Book Entry Only System. The Notes shall be issued in fully registered form, without coupons, and shall be substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures. The Notes shall be numbered from 1

consecutively upward in order of issuance, shall be in the denomination of $5,000 each or any integral multiple thereof.

"CUSIP" identification numbers shall be imprinted on the Notes, but such numbers shall not constitute a part of the contract evidenced by the Notes and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Notes. In addition, failure on the part of the City to use such CUSIP numbers in any notice to the registered owners of the Notes shall not constitute an event of default or any violation of the City's contract with such owners and shall not impair the effectiveness of any such notice.

Except as provided below, the owner of all of the Notes shall be The Depository Trust Company, New York, New York ("DTC"), and the Notes shall be registered in the name of Cede & Co., as nominee for DTC. The Notes shall be initially executed and delivered in the form of a single fully registered Note in the full aggregate principal amount of the Notes. The City may treat DTC (or its nominee) as the sole and exclusive owner of the Notes registered in its name for all purposes of this Resolution, and the City shall not be affected by any notice to the contrary. The City shall not have any responsibility or obligation to any participant of DTC (a "Participant"), any person claiming a beneficial ownership interest in the Notes under or through DTC or a Participant (a "Beneficial Owner"), or any other person not shown on the register of the City as being an owner, with respect to the accuracy of any records maintained by DTC or any Participant or the payment by DTC or any Participant by DTC or any Participant of any amount in respect of the principal or interest with respect to the Notes. The City shall pay all principal and interest with respect to the Notes only to DTC or its nominee, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal and interest with respect to the Notes to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Note. Upon delivery by DTC to the City of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

If the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Notes and delivers a written certificate to DTC to that effect, DTC shall notify the Participants of the availability through DTC of Notes. In such event, the City shall issue, transfer and exchange Notes as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Notes to the Beneficial Owners as described in this Resolution. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Notes evidencing the Notes to any DTC Participant having Notes credited to its DTC account or (b) arrange for another securities depository to maintain custody of Certificates evidencing the Notes.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Note is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to such Note and all notices with respect to such Note

shall be made and given, respectively, to DTC as provided as in the representation letter delivered on the date of issuance of the Notes.

Section 4. Use of Proceeds. The proceeds of the sale of the Notes shall be deposited in a segregated account in the General Fund and used and expended by the City for any purpose for which it is authorized to expend funds from the General Fund.

Section 5. Security. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the City for the General Fund for Fiscal Year 2010-11. As security for the payment of the principal of and interest on the Notes the City hereby pledges the first "unrestricted moneys" (as hereinafter defined) to be received by the City (a) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of January, 2011; (b) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of May, 2011; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June, 2011 (such pledged amounts being hereinafter called the "Pledged Revenues"). The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues. To the extent not so paid from the Pledged Revenues, the Notes shall be paid from any other moneys of the City lawfully available therefor. In the event that there are insufficient "unrestricted moneys" received by the City to permit the deposit into the Special Account (as hereinafter defined) of the full amount of the Pledged Revenues to be deposited in any month by the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the repayment of the Notes and interest thereon. The term "unrestricted moneys" shall mean taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund for Fiscal Year 2010-11 and which are generally available for the payment of current expenses and other obligations of the City.

Section 6. Special Account. There is hereby created, within the General Fund, a special account to be designated the "2010-11 Tax and Revenue Anticipation Note Special Account" (the "Special Account") and applied as directed in this Resolution. Any money placed in the Special Account shall be for the benefit of the owners of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Special Account shall be applied solely for the purposes for which the Special Account is created.

During the months of January, May and June, 2011, the City shall deposit all Pledged Revenues in the Special Account. On the maturity date of the Notes, the City shall transfer to DTC the moneys in the Special Account necessary to pay the principal of and interest on the Notes at maturity and to the extent said moneys are insufficient therefor an amount of moneys from the General Fund which will enable payment of the full principal of and interest on the Notes at maturity. DTC will thereupon make payments of principal of and interest on the Notes to the DTC Participants who will thereupon make payments to the Beneficial Owners of the Notes. Any moneys remaining in the Special Account after the Notes and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund.

Section 7. Deposit and Investment of Special Account. All moneys held by the City in the Special Account, if not invested, shall be held in time or demand deposits as public funds and shall be secured at all times by bonds or other obligations which are authorized by law as security for public deposits, of a market value at least equal to the amount required by law.

Moneys in the Special Account shall, to the greatest extent possible, be invested by the City directly, or through an investment agreement, in investments as permitted by the laws of the State of California as now in effect and as hereafter amended, and the proceeds of any such investments shall be deposited in the Special Account.

Section 8. Execution of Notes. The Mayor of the City, the City Manager, or the Finance Director (each an "Authorized Officer") is hereby authorized to execute the Notes by manual or facsimile signature, and the City Clerk of the City is hereby authorized to countersign the same by manual or facsimile signature (although at least one of such signatures shall be manual) and to affix the seal of the City thereto by facsimile impression thereof, and said officers are hereby authorized to cause the blank spaces thereof to be filled in as may be appropriate.

Section 9. Transfer of Notes. Any Note may, in accordance with its terms, but only if the City determines to no longer maintain the book entry only status of the Notes, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the City to deliver Note certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of Section 11 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation at the office of the City Clerk, accompanied by delivery of a written instrument of transfer in a form approved by the City, duly executed.

Whenever any Note or Notes shall be surrendered for transfer, the City shall execute and deliver a new Note or Notes, for like aggregate principal amount of the Note or Notes surrendered for transfer.

Section 10. Exchange of Notes. Any Note may, in accordance with its terms, but only if the City determines to no longer maintain the book entry only status of the Notes, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the City to deliver Note certificates to particular DTC Participants, be exchanged at the office of the City Clerk for a like aggregate principal amount of Notes of authorized denominations and of the same maturity.

Section 11. Note Register. The City shall keep or cause to be kept sufficient books for the registration and transfer of the Notes if the book entry only system is no longer in effect and, in such case, the City Clerk shall register or transfer or cause to be registered or transferred, on said books, Notes as herein before provided. While the book entry only system is in effect, such books need not be kept as the Notes will be represented by one Note registered in the name of Cede & Co., as nominee for DTC.

Section 12. Temporary Notes. The Notes may be initially issued in temporary form exchangeable for definitive Notes when ready for delivery. The temporary Notes may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, and may contain such reference to any of the provisions of this Resolution as may be

appropriate. Every temporary Note shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Notes. If the City issues temporary Notes it will execute and furnish definitive Notes without delay, and thereupon the temporary Notes may be surrendered, for cancellation, in exchange therefor at the office of the City Clerk and the City Clerk shall deliver in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits pursuant to this Resolution as definitive Notes executed and delivered hereunder.

Section 13. Notes Mutilated, Lost, Destroyed or Stolen. If any Note shall become mutilated the City, at the expense of the owner of said Note, shall execute and deliver a new Note of like maturity and principal amount in exchange and substitution for the Note so mutilated, but only upon surrender to the City Clerk of the Note so mutilated. Every mutilated Note so surrendered to the City Clerk shall be canceled and delivered to, or upon the order of, the City. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence be satisfactory to the City and indemnity satisfactory to it shall be given, the City, at the expense of the owner, shall execute and deliver a new Note of like maturity and principal amount in lieu of and in substitution for the Note so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Note issued under this Section 13 and of the expenses which may be incurred by the City in the premises. Any Note issued under the provisions of this Section 13 in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Notes issued pursuant to this Resolution.

Section 14. Covenants and Warranties. It is hereby covenanted and warranted by the City that all representations and recitals contained in this Resolution are true and correct, and that the City and its appropriate officials have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the prompt collection and enforcement of the taxes, income, revenue, cash receipts and other moneys pledged hereunder in accordance with law and for carrying out the provisions of this Resolution.

Section 15. Tax Covenants.

(a) *No Arbitrage.* The City shall not take, nor permit nor suffer to be taken any action with respect to the proceeds of the Notes which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Notes (the "Closing Date") would have caused the Notes to be "arbitrage bonds" within the meaning of section 148 of the Internal Revenue Code of 1986 (the "Code").

(b) *Rebate Requirement.* The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government.

(c) *Private Activity Note Limitation.* The City shall assure that proceeds of the Notes are not so used as to cause the Notes to satisfy the private business tests of section 141(b) of the Code.

(d) *Private Loan Financing Limitation.* The City shall assure that proceeds of the Notes are not so used as to cause the Notes to satisfy the private loan financing test of section 141(c) of the Code.

(e) *Federal Guarantee Prohibition.* The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Notes to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(f) *Maintenance of Tax-Exemption.* The City shall take all actions necessary to assure the exclusion of interest on the Notes from the gross income of the owners of the Notes to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 16. Official Statement. Jones Hall, as disclosure counsel to the City, has prepared a preliminary official statement describing the Notes (the "Preliminary Official Statement"). The City Council hereby approves the Preliminary Official Statement in the form presented to the Board at this meeting. The Authorized Officer is hereby authorized and directed to execute a certificate to the effect that the Preliminary Official Statement was deemed "final" as of its date for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934, and the Authorized Officer is hereby authorized to so deem such Preliminary Official Statement final.

The execution of the final Official Statement (the "Official Statement"), which shall include such changes and additions to the Preliminary Official Statement deemed advisable by the Authorized Officer or any other qualified officer of the City and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Official Statement by the City. The City Council authorizes the distribution by Northcross, Hill & Ach, Inc. (the "Financial Advisor") of the Official Statement to prospective purchasers of the Notes.

The Authorized Officer is authorized and directed to execute the Official Statement and a statement that the facts contained in the Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Notes, true and correct in all material respects and that the Official Statement did not, on the date of sale of the Notes, and does not, as of the date of delivery of the Notes, contain any untrue statement of a material fact with respect to the City or omit to state material facts with respect to the City required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The Authorized Officer shall take such further actions prior to the signing of the Official Statement as are deemed necessary or appropriate to verify the accuracy thereof.

Section 17. Sale of Notes. The Notes will be sold by competitive bid and awarded as set forth in an Official Notice of Sale (the "Official Notice of Sale"), which Jones Hall, A Professional Law Corporation, as bond counsel to the City ("Bond Counsel"), is hereby authorized to prepare, consistent with this Resolution. Bond Counsel is hereby directed to

arrange for the publication of a notice of intention of the sale of the Notes in *The Bond Buyer*, in accordance with Section 53692 of the Government Code.

The Authorized Officer is hereby directed to execute the Official Notice of Sale. The Authorized Officer is hereby authorized and directed to open the bids at the time and place specified in the Official Notice of Sale. The Authorized Officer is hereby authorized and directed to receive and record the receipt of all bids made pursuant to the Official Notice of Sale, to cause said bids to be examined for compliance with the Official Notice of Sale, to cause computations to be made as to which bidder has bid the lowest true interest cost, as provided in the Official Notice of Sale, to announce the bidder of the lowest true interest cost, and to award the sale to said bidder.

Section 18. Engagement of Professional Services. The City hereby approves the engagement of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel and Northcross, Hill & Ach, Inc. as Financial Advisor to the City in connection with the issuance and sale of the Notes.

Section 19. Preparation of Notes; Official Action. Jones Hall, A Professional Law Corporation, as bond counsel, is directed to cause suitable Notes to be prepared showing on their face that the same bear interest at the rate specified in the offer submitted by the successful bidder or bidders, and to cause the blank spaces therein to be filled in to comply with the provisions of this Resolution, and to procure their execution by the proper officers, and to cause the Notes to be delivered when so executed to DTC on behalf of the successful bidder or bidders therefor upon the receipt of the purchase price by the City Treasurer in accordance with such successful bid or bids.

Each Authorized Officer and the City Clerk, or any of them, are further authorized and directed to make, execute and deliver such certificates, agreements and other closing documents as are necessary to consummate the transactions contemplated by this Resolution.

Section 20. Effective Date. This Resolution shall take effect upon its adoption.

The foregoing Resolution was adopted by the City Council of the City of Torrance, California on May 25, 2010, by the following vote:

AYES:

NOES:

ABSENT:

(SEAL)

_____

Mayor

Attest:

_____

Clerk

EXHIBIT A

FORM OF NOTE

No. 1 *****$_____****

CITY OF TORRANCE, CALIFORNIA

2010-11 TAX AND REVENUE ANTICIPATION NOTE

INTEREST RATE:	**MATURITY DATE:**	**ISSUE DATE:**	**CUSIP:**
%	July __, 2011	July __, 2010	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ****_____ MILLION DOLLARS****

The CITY OF TORRANCE, a municipal corporation, duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Owner"), on the Maturity Date stated above, the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money at the rate per annum stated above, payable on the Maturity Date stated above, calculated on the basis of 360-day year composed of twelve 30-day months. Both the principal of and interest on this Note shall be payable at maturity to the Owner.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of _____ Million Dollars ($_____), all of like tenor, issued pursuant to the provisions of Resolution No. _____ of the City Council of the City duly passed and adopted on May 25, 2010 (the "Resolution"), and pursuant to Article 7.6 (commencing with section 53850) of Chapter 4, Part 1, Division 2, Title 5, of the California Government Code, and that all things, conditions and acts required to exist, happen and be performed precedent to and in the issuance of the Notes exist, have happened and have been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the City, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the City for the General Fund of the City for Fiscal Year 2010-11. As security for the payment of the principal of and interest on the Notes the City has pledged the first "unrestricted moneys" (as

hereinafter defined) to be received by the City (a) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of January, 2011; (b)) an amount equal to fifty percent (50%) of the principal amount of the Notes in the month of May, 2011; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June, 2011 (such pledged amounts being hereinafter called the "Pledged Revenues"). The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues. To the extent not so paid from the Pledged Revenues, the Notes shall be paid from any other moneys of the City lawfully available therefor. In the event that there are insufficient "unrestricted moneys" received by the City to permit the deposit into the Special Account (as hereinafter defined) of the full amount of the Pledged Revenues to be deposited in any month by the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the repayment of the Notes and interest thereon. The term "unrestricted moneys" shall mean taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund of the City for Fiscal Year 2010-11 and which are generally available for the payment of current expenses and other obligations of the City.

The Notes are issuable as fully registered Notes, without coupons, in denominations of $5,000 and any integral multiple thereof. Subject to the limitations and conditions as provided in the Resolution, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations and of the same maturity.

The Notes are not subject to redemption prior to maturity.

This Note is transferable by the Owner hereof, but only under the circumstances, in the manner and subject to the limitations provided in the Resolution. Upon registration of such transfer a new Note or Notes, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The City may treat the Owner hereof as the absolute owner hereof for all purposes, and the City shall not be affected by any notice to the contrary.

Unless this Note is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the City of Torrance has caused this Note to be executed by the City Manager and countersigned by the City Clerk of the City, all as of the Issue Date stated above.

CITY OF TORRANCE

By _____
City Manager

Countersigned:

By _____
City Clerk

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

_____

_____

_____

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Note and hereby irrevocably constitute(s) and appoints(s) _____ _____ attorney, to transfer the same on the Note register of the City with full power of substitution in the premises.

Dated:_____

Signature Guaranteed:

_____

NOTICE: Signature(s) must be guaranteed by a qualified guarantor.

_____

NOTICE: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within Note in every particular without alteration or enlargement or any change whatsoever.

ATTACHMENT B

OFFICIAL NOTICE OF SALE

2010-11 TAX AND REVENUE ANTICIPATION NOTES

$[Principal Amount]* City of Torrance
(Los Angeles County, California)

NOTICE IS HEREBY GIVEN that electronic bid proposals (see "FORM OF BID" below) will be received by the City Torrance, California (the "City"), through the MuniAuction website at either of the following website addresses: http://www.GrantStreet.com and http://www.MuniAuction.com for the purchase on:

WEDNESDAY, JUNE 16, 2010

between 8:00 a.m. and 8:30 a.m. California Time unless extended in accordance with the Two Minute Rule described below. The auction is also subject to postponement as hereinafter described. In order to bid, bidders must have: (1) completed the registration form on the MuniAuction website, and (2) requested and received admission to the City's auction (as described under "TERMS OF SALE-Registration and Admission to Bid" hereinafter). Neither the City, the Financial Advisor nor Bond Counsel shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate or untimely bid submitted by Internet transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telephone or telecommunications lines, or any other cause arising from delivery by Internet transmission.

Bidders are urged to check the MuniAuction website for any change in the terms of the sale or the date and time for the receipt of bids.

AMENDMENT AND MODIFICATION: The City reserves the right to amend this Official Notice of Sale at any time prior to the bidding start time for the Notes, by publishing such amendments on the Amendments Page of the MuniAuction website.

POSTPONEMENT: The City reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced through the MuniAuction Amendments Page prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Notes is postponed, any alternative sale date will be announced via the MuniAuction Amendments Page at least 20 hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit a bid for the purchase of the Notes in conformity in all respects with the provisions of this Official Notice of Sale except for the date of sale and except for the changes announced through MuniAuction.

ISSUE AND DENOMINATION; BOOK ENTRY ONLY SYSTEM: The Notes consist of fully registered notes, without coupons. The Notes will be issued in minimum denominations of $5,000. The Notes will be issued in a book entry only system with no physical distribution of the Notes made to the public. The Depository Trust Company, New York, New York ("DTC"), will act as depository for the Notes, which will be immobilized in its custody. The Notes will be

* Preliminary, subject to change

registered in the name of Cede & Co., as nominee for DTC, on behalf of the participants in the DTC system and the subsequent beneficial owners of the Notes.

DATE AND MATURITY: The Notes will be dated the date of delivery (expected to be July 8, 2010), and will mature on July 7, 2011 (the "Maturity Date").

INTEREST RATE: The maximum interest rate bid for the Notes may not exceed five percent (5%) per annum, payable upon maturity of the Notes. Bidders must specify the rate of interest which the Notes shall bear, provided that: (i) bids must be for all Notes; and (ii) the Notes shall bear interest from its date to its stated maturity at the interest rate specified in the bid.

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

PAYMENT: Both principal of and interest on the Notes will be payable on the Maturity Date, in lawful money of the United States of America, to DTC which will immediately credit the account of the successful bidder or bidders as participants in the DTC system.

PURPOSE OF ISSUE: The Notes are to be issued by the City and are authorized pursuant to the provisions of Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code and the provisions of resolutions of the City for any purpose for which the City is authorized to expend moneys.

SECURITY: The Notes are an obligation of the City and are secured by a pledge of and first lien and charge against the first "unrestricted moneys," as hereinafter defined, to be received by the City, (a) in an amount equal to 50% of the principal amount of the Notes to be received by the City in January, 2010, (b) in an amount equal to 50% of the principal amount of the Notes to be received by the City in May, 2010, and (c) in an amount equal to all interest due on the Notes at maturity to be received by the City in June, 2010. The term "unrestricted moneys" mean taxes, income, revenue and other moneys intended as receipts for the general fund of the City and which are generally available for the payment of current expenses and other obligations of the City.

Said pledged moneys shall be deposited by the City in a special fund established, created and maintained by the City. Moneys shall be withdrawn from said fund for the sole purpose of paying the principal of and the interest on the Notes at their maturity.

By statute, the Notes are declared to be general obligations of the City, and to the extent not paid from said pledged moneys shall be paid, with the interest thereon, from any other moneys of the City lawfully available therefor. Under provisions of the California Constitution, the City is generally prohibited from incurring any indebtedness or liability exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of its qualified electors voting at an election called for such purpose.

RATING: The City anticipates that the Notes will receive a rating of "MIG-1" from Moody's Investors Service.

TERMS OF SALE

***BEST BID**: Bids must be for all of the Notes.* The Notes will be awarded on the basis of the lowest net interest cost including premium offered in the proposals. No bid for less than par will be entertained. In the event two or more bids setting forth identical interest rates and premium per dollar principal amount, if any, and aggregating a principal amount in excess of the principal amount of unawarded Notes are received, the City's Finance Director, pursuant to delegation by the Council, reserves the right to exercise his discretion and judgment in making the award and may award the Notes on a pro rata basis in such denominations as he shall determine.

REGISTRATION AND ADMISSION TO BID: In order to ensure that there is sufficient time to verify their eligibility to bid, bidders must visit the MuniAuction website on or before 5 p.m. Eastern Daylight Time (2 p.m. California time) on June 16, 2010, where, if they have never registered with MuniAuction, they can register and then request admission to bid in the all-or-none format. (There is no charge for registration with MuniAuction for admission to this sale). Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. (Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements shall be eligible to bid). Bidders who have already registered with MuniAuction may call Grant Street Group's auction support at (412) 391-5555 x370 to confirm their ID number and password.

RULES OF MUNIAUCTION: "Rules of MuniAuction" can be viewed on the MuniAuction website and, as amended and supplemented from time to time, are incorporated herein by reference. Bidders will be required to verify that they have read the "Rules of MuniAuction" prior to submitting bids. In the event of a conflict between the Rules of MuniAuction and this Official Notice of Sale, the provisions of this Official Notice of Sale shall prevail.

BIDDING DETAILS: All bids must be unconditional and submitted on the MuniAuction website at www.MuniAuction.com. No facsimile, personal delivery bids or bids delivered by any other method will be accepted. Bidders are permitted to submit bids for the Notes only in the all-or-none format.

Rank Order - Bidders may change and submit bids as many times as they like during the auction; provided, that each submitted bid after a bidder's initial bid must, when compared to the immediately preceding bid, result in a lower net interest cost ("NIC"). The last bid submitted before the end of the auction will be compared to all other final bids to determine the winning bidder. During the bidding, no bidder will see any other bidder's bid, but each bidder will be able to see the rank order of its bid (e.g., Leader, cover, 3rd, 4th, etc.).

Two-Minute Rule – If a bid becomes a leading bid two (2) minutes prior to the scheduled end of the auction, the time period for submission of bids will be automatically extended by two (2) minutes from the time such new leading bid was received by MuniAuction (the "Two Minute Rule"). The Auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two minutes.

PROMPT AWARD: The City Representative, pursuant to delegation by the City, will take action awarding the sale of the Notes or reject all bids not later than forty-eight (48) hours after the expiration of time herein prescribed for the receipt of bids and until such expiration of time all bids received shall be irrevocable. Unless such time of award is waived by the successful bidder, the award may be made after the expiration of the specified time if the bidder shall not have given to the City representative notice in writing of the withdrawal of such proposal. Notice of the award will be given promptly to the successful bidder.

DELIVERY AND PAYMENT: It is estimated that the delivery of the Notes will be made to DTC for the account of the successful bidders on or about July 8, 2010. Payment of the purchase price must be made in funds immediately available to the City by wire transfer or other means acceptable to the City.

RIGHT OF REJECTION: The City reserves the right, in its sole discretion, to reject any and all bids for the Notes and to waive any irregularity or informality in any bid, except that no bids will be accepted later than 9:00 A.M. on the date set for receipt of bids.

CHANGE IN TAX EXEMPT STATUS: At any time before the Notes are tendered for delivery, any successful bidder may disaffirm and withdraw its proposal if the interest received by private holders from notes of the same type and character shall be declared to be taxable income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes by the terms of any federal income tax law enacted subsequent to the date of this notice.

CERTIFICATION OF REOFFERING PRICE: The successful bidder shall be required, as a condition to the delivery of the Notes by the City, to certify to the City and the City in writing that, as of the date of award, (i) the Notes were expected to be reoffered in a bona fide public offering, and (ii) the price at which the Notes were expected to be sold to the public, in the form and substance satisfactory to the City, the City and Bond Counsel.

CONTINUING DISCLOSURE: In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the City will undertake, pursuant to separate Continuing Disclosure Certificates, to provide notices of the occurrence of certain events, if material. A description of these undertakings is set forth in the preliminary official statement relating to the Notes (the "POS") and will also be set forth in a final official statement relating to the Notes (the "OS").

CLOSING PAPERS; LEGAL OPINION: Each proposal will be conditioned upon the City furnishing to each successful bidder, without charge, concurrently with payment for and delivery of the Notes, the following closing papers, each dated the date of such delivery:

(a) The opinion of Bond Counsel, approving the validity of the Notes and stating that, subject to certain qualifications, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings, and is exempt from State of California personal income taxes, a copy of which opinion (certified by the official in whose office the original is filed) will be delivered with the Notes without cost to the purchaser.

(b) A certificate of the Superintendent or other appropriate official of the City that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be "arbitrage bonds" within the meaning of the Code;

(c) A certificate on behalf of the City that there is no litigation threatened or pending affecting the validity of the Notes;

(d) A certificate of the Finance Director or other appropriate official of the City, acting on behalf of the City solely in his or her official and not in his or her personal capacity, that at the time of the sale of the Notes and at all times subsequent thereto up to and including the time of

the delivery of the Notes to the initial purchasers thereof, the OS did not, and does not, contain any untrue statement of a material fact or omit to state a material fact necessary which would make the statements misleading in the light of the circumstances under which they were made;

(e) The signature certificate of the officials of the City, showing that they have signed the Notes and impressed the seal of the City thereon, and that they were respectively duly authorized to execute the same; and

(f) The receipt of the City showing that the purchase price of the Notes has been received.

PURCHASE CONTRACT: Following the award of the Notes, the winning bidder will be required to execute a purchase contract substantially in the form of Exhibit A attached hereto.

OFFICIAL STATEMENT: The City has approved a preliminary Official Statement relating to the Notes. Copies of such preliminary Official Statement will be distributed to any bidder, upon request, prior to the sale in a form "deemed final" by the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). Within seven business days from the sale date, the City will deliver to the purchaser copies of the final Official Statement, executed by an authorized representative of the City and dated the date of delivery thereof to the purchaser, in sufficient number to allow the purchaser to comply with paragraph (b)(4) of the Rule and to satisfy the Municipal Securities Rulemaking Board (the "MSRB") Rule G-32 or any other applicable rules adopted by the MSRB, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and such other amendments or supplements as shall have been approved by the City (the "Final Official Statement"). The purchaser agrees that it will not confirm the sale of any Notes unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Final Official Statement. The City will furnish to the successful bidder, at no charge, not in excess of one hundred (100) copies of the Official Statement for use in connection with any resale of the Notes.

A letter of Jones Hall, A Professional Law Corporation, San Francisco, California, as disclosure counsel, will be addressed to the City and to the successful bidder, stating that, without passing upon or assuming any responsibility for the accuracy, completeness of fairness of the statements contained in the final Official Statement and making no representations that they have independently verified the accuracy, completeness or fairness of an such statements, based upon the information made available to them in the course of their participation in the preparation of the final Official Statement, nothing has come to such counsel's attention which would lead them to believe that the final Official Statement, including the cover page and all appendices thereto (but excluding therefrom financial statements and statistical data, and information regarding The Depository Trust Company, and its book entry system, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading

GIVEN pursuant to a resolution of the City.

Dated: June __, 2010

EXHIBIT A

FORM OF PURCHASE CONTRACT

CITY OF TORRANCE
$_____
2010-11 Tax and Revenue Anticipation Notes

June 16, 2010

City Council
City of Torrance
3031 Torrance Boulevard
Torrance, CA 90503

Members of the Council:

This contract sets forth the terms and conditions of the purchase by _____ (the "Underwriter") of 2010-11 Tax and Revenue Anticipation Notes (the "Notes") to be issued by the City of Torrance (the "City") in conformance with Article 7.6 of the Government Code of the State of California commencing with Section 53850 and a Resolution of Issuance adopted by the City.

It is understood and agreed that the Notes will be in the principal amount of $_____ and will be due in full plus all interest at the maturity date of July 7, 2011. Payment of interest and principal at maturity will be made at The Depository Trust Company in New York in immediately available funds. The Notes will be dated as of their date of delivery (July 8, 2010).

The Notes will be issued in registered form and will be registrable and deregistrable as to principal and interest.

The Underwriter hereby agrees to purchase and the City hereby agrees to sell the Notes at an interest rate of _____% and a purchase price of _____%, with a yield of ___%. (Underwriter's compensation will be $_____ earned through a portion of the premium: ____% coupon priced to yield ____% produces $_____ in premium. The premium is used to compensate underwriting and pay the costs of issuance.) Purchase price paid to City is $_____, which is par plus premium less Underwriter's compensation.

The City agrees to pay from its own funds any fees to bond counsel and the paying agent and any charges for printing and distributing the Official Statement describing the Notes and will be responsible for paying for printing and delivery of the Notes.

It is agreed and understood that the Underwriter's obligation to purchase the Notes is contingent upon the following conditions as of the Closing Date:

a) That the City is a duly constituted public agency and has the authority to issue the tax and revenue anticipation notes.

b) That in the unqualified legal opinion of bond counsel, Jones Hall, A Professional Law Corporation, the Notes have been duly authorized and are issued in full conformity with the State constitution and laws and that all interest on the Notes is excluded from Federal and State of California income.

c) That there is no litigation filed, pending or threatened which would effect the validity or tax exemption of the Notes.

d) That, according to an appropriate official of the City, that the Official Statement is accurate and fairly represents applicable and appropriate information concerning the City, its organization, finances and economy and does not omit information that if included would more accurately set forth pertinent facts concerning the City, its finances or the Note sale.

Successors

This Purchase Contract is made solely for the benefit of the City and the Underwriter (including their successors or assigns) and no other person will acquire or have any right hereunder or by virtue hereof. The representations, warranties, and agreements contained herein will remain operative and in full force and effect and will survive delivery of and payment for the Notes hereunder.

Governing Law

This Purchase Contract will be governed by the laws of the State of California.

Effectiveness

This Purchase Contract will become effective upon the execution of the acceptance hereof by the City.

[Underwriter]

_____

CITY OF TORRANCE

_____

ATTACHMENT C

Jones Hall Draft 5-20-10

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2010

NEW ISSUE - FULL BOOK ENTRY

RATING: Moody's: "_____"
See "Rating."

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$33,000,000*
CITY OF TORRANCE
2010-11 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery **Due: July 1, 2011**

The Notes are to be delivered as fully registered notes without coupons and when delivered will be registered in the name of The Depository Trust Company, New York, New York, or its nominee. DTC will act as securities depository for the Notes. Individual purchases of interest in the Notes will be made in book-entry form only in the principal amount of $5,000 or integral multiples thereof. Purchasers of Notes will not receive the physical Notes when purchased. Principal and interest are payable at maturity. The principal and interest with respect to the Notes is payable when due by the City of Torrance (the "City"), as paying agent, to DTC which will in turn remit such principal and interest to the actual purchasers of the Notes as described herein. The Notes are not subject to redemption prior to maturity.

The Notes are by statute general obligations of the City, payable solely from taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund for Fiscal Year 2010-11 and which are generally available for the payment of current expenses and other obligations of the City (the "Unrestricted Moneys"). The Notes are secured by a pledge of Unrestricted Moneys to be received by the City in (a) an amount equal to 50% of the principal amount of the Notes in the month of January, 2011; (b) an amount equal to 50% of the principal amount of the Notes in the month of May, 2011; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June, 2011 (such pledged amounts being hereinafter called the "Pledged Revenues"). The Pledged Revenues will be deposited and held by the City in a special account to be designated the "2010-11 Tax and Revenue Anticipation Note Special Account" (the "Special Account"), and applied as directed in the City Council's Resolution adopted _____, 2010.

The following firm, serving as financial advisor to the City, has structured this issue.

NORTHCROSS | HILL | ACH

Interest Rate	Reoffering Yield	CUSIP

The Notes are, to the extent more fully described herein, legal investments for commercial banks in California and are eligible to secure deposits in public monies in the State of California.

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS."

The Notes will be offered when, as and if issued and received by the Underwriter subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. It is anticipated that the Notes will be available for delivery in New York, New York for deposit with The Depository Trust Company, on or about July __, 2010.

Dated: _____, 2010

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* Preliminary; subject to change.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth in this Official Statement has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion stated in this Official Statement are subject to change without notice and neither 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 information or opinions set forth herein or in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any purpose, unless authorized in writing by the City.

The Notes have not been registered under the Securities Act of 1933, in reliance upon an exemption contained in such Act. The Notes have not been registered under the securities laws of any state.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Although the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference in this Official Statement or is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Notes or any other bonds or obligations of the City.

CITY OF TORRANCE

CITY COUNCIL MEMBERS

Frank Scotto, *Mayor*
Gene Barnett, *Council Member*
Tom Brewer, *Council Member*
Pat Furey, *Council Member*
Cliff Numark, *Council Member*
Susan M. Rhilinger, *Council Member*
Bill Sutherland, *Council Member*

CITY STAFF

LeRoy J. Jackson, *City Manager*
John L. Fellows III, *City Attorney*
Linda M. Barnett, *City Treasurer*
Eric E. Tsao, *Finance Director*
Sue Herbers, *City Clerk*

PAYING AGENT

City of Torrance
Torrance, California

BOND COUNSEL and DISCLOSURE COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR
Northcross, Hill & Ach, Inc.
San Rafael, California

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OFFICIAL STATEMENT

$33,000,000*
CITY OF TORRANCE
2010-11 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

This Official Statement provides information in connection with the issuance by the City of Torrance (the **"City"**) of its 2010-11 Tax and Revenue Anticipation Notes (the **"Notes"**). Issuance of the Notes will provide funds to meet fiscal year 2010-11 General Fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations of the City.

The Notes are issued in full conformity with the Constitution and laws of the State of California (the "**State**"), including Article 7.6 (commencing with section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (the "**Law**") and are general obligations of the City payable solely from taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund for fiscal year 2010-11 and which are generally available for the payment of current expenses and other obligations of the City (the "**Unrestricted Moneys**"). The Notes are authorized by a resolution adopted by the City Council on _____, 2010 (the "**Resolution**"). The City may, under the Law, issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated amount of the uncollected Unrestricted Moneys which will be available for the payment of said Notes. Proceeds from the sale of the Notes will be used and expended by the City for any purpose for which it is authorized to expend funds from the General Fund for the fiscal year 2010-11. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES," "APPENDIX A – Financial, Economic and Demographic Information for the City" and "APPENDIX B – Excerpts of Audited Financial Statements of the City for the Year Ending June 30, 2009."

Brief descriptions of the Notes, the security and sources of payment for the Notes, the City and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirely by reference to the forms thereof, all of which are available for inspection at the office of the Finance Director of the City.

* Preliminary; subject to change.

THE NOTES

Description of the Notes

The Notes will be issued in the principal amount and bear interest at the interest rate shown on the cover page of this Official Statement. The Notes shall be delivered in the form of fully registered Notes, without coupons, in denominations of $5,000 or any integral multiple thereof, and shall be dated the date of delivery to the original purchaser thereof. The Notes will mature on the date set forth on the cover page of this Official Statement.

The Notes, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("**DTC**"). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Notes, all payments on the Notes will be made directly to DTC, and disbursement of such payments will be the responsibility of DTC, and disbursement of such payments will be the responsibility of the Direct and Indirect Participants, as more fully described in "APPENDIX D – DTC and the Book-Entry Only System."

SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES

Security for the Notes

The principal amount of the Notes, together with the interest thereon, is payable from "**Unrestricted Moneys,**" which are taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund for Fiscal Year 2010-11 and which are generally available for the payment of current expenses and other obligations of the City. As security for the repayment of principal of and interest on the Notes, the City has pledged to deposit in a special fund within the General Fund designated as the "2010-11 Tax and Revenue Anticipation Note Special Account" (the "**Special Account**") the first Unrestricted Moneys to be received by the City in (a) an amount equal to 50% of the principal amount of the Notes in the month of January, 2011; (b) an amount equal to 50% of the principal amount of the Notes in the month of May, 2011; and (c) an amount sufficient to pay interest as due on the Notes at their maturity, in the month of June, 2011 (collectively, the "**Pledged Revenues**"). The Notes are equally and ratably secured by the City's pledge of the Pledged Revenues.

The principal of the Notes and the interest thereon shall constitute a first lien and charge against and shall be paid from the first moneys received by the City from such Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefor. In the event that there are insufficient Unrestricted Moneys received by the City to permit the deposit into the Special Account of the full amount of the Pledged Revenues to be deposited in any month by the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the repayment of the Notes and interest thereon.

All Pledged Revenues, as and when received, shall be deposited by the City in the Special Account for the payment of the principal of and interest on the Notes at maturity. Amounts deposited by the City in the Special Account shall be applied solely for the purpose of paying the principal of and interest on the Notes. All moneys held by the City in the Special Account, if not invested, shall be held in time or demand deposits as public funds and shall be secured at all times by bonds or other obligations which are authorized by law as security for

public deposits, of a market value at least equal to the amount required by law. Moneys in the Special Account shall, to the greatest extent possible, be invested by the City directly, or through an investment agreement, in investments as permitted by the laws of the State, and the proceeds of any such investments shall be deposited in the Special Account. See "APPENDIX A – Financial, Economic and Demographic Information for the City" and "APPENDIX B – Excerpts of Audited Financial Statements of the City for the Year Ending June 30, 2009."

Available Sources of Repayment

The Notes, in accordance with State law, are general obligations of the City, but are payable only out of Unrestricted Moneys. The City may, under existing law, issue the Notes only if the principal of, and interest on, the Notes will not exceed 85% of the estimated uncollected Unrestricted Moneys which will be available for the repayment of the Notes.

The Note coverage ratio is the ratio of estimated Unrestricted Moneys to the amount of Unrestricted Moneys needed to pay principal of and interest on the Notes. The City expects to receive a projected $_____ in Unrestricted Moneys on a cash basis (including carry-over balances and transfers, and including proceeds of the Notes). The amount needed to repay the Notes and the interest thereon is $_____*. Based on an amount of Unrestricted Moneys needed to pay principal of and interest on the Notes, the Note coverage ratio is _____:1*.

The table below gives detail as to the sources of Unrestricted Moneys and the Note Coverage Ratio.

City of Torrance
Estimated Unrestricted General Fund Revenues
Fiscal Year 2010-11

Source		Amount
Available Cash Balance July 1, 2010		
Taxes (Including Property Tax, Sales Tax and Other Taxes)		
Other Revenue		
Proceeds of the Notes		
Transfers From Other City Funds		
Total Unrestricted Moneys [1]		
Principal Plus Interest for Note Payment		*
Note Coverage Ratio	_____	x*

[1] Includes proceeds of the Notes.

See also "APPENDIX A – Financial, Economic and Demographic Information for the City" and "APPENDIX B – Excerpts of Audited Financial Statements of the City for the Year Ending June 30, 2009."

* Preliminary; subject to change.

Cash Flow

The City has prepared the accompanying monthly General Fund cash flow statements covering the 2009-10 fiscal year and the projected 2010-11 fiscal year. The General Fund is used to finance the ordinary operations of the City and is available for any legal authorized purposes. While expenditures generally occur evenly throughout the fiscal year, cash receipts occur unevenly. As a result the General Fund cash balance tends to show a deficit during parts of the fiscal year. The projections are based on the City's budget as well as the City's current financial condition.

City of Torrance
FY 2009-10 Actual/Projected General Fund Cash Flows*

* Actual through April, 2010
Source City of Torrance

City of Torrance
FY 2010-11 Projected General Fund Cash Flows

Source City of Torrance

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the City's general obligation bonds falls within the exception for bonds approved by a two-thirds vote.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIC and Article XIIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special

purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the County to levy the 1% ad valorem property tax and to distribute proceeds of the tax to local agencies in the County, including school districts. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes or to otherwise interfere with performance of the duty of the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the City. Developer fees imposed by the City are restricted as to use and are generally unavailable for repayment for the Notes.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however,

the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceed the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceed the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

Future initiatives. Articles XIIIA, XIIIV, XIIIC, and XIIID, and Proposition 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 62 and 111 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

RISK FACTORS

Bankruptcy Considerations

In 1994, Orange County, California issued its 1994-1995 Tax and Revenue Anticipation Notes (the **"Orange County Notes"**) under the same statutory authority as the Notes. On December 6, 1994, Orange County filed a petition in bankruptcy. Subsequently, Orange County declined to set aside the taxes and revenues it had pledged for the repayment of the Orange County Notes and a noteholder brought suit to compel Orange County to do so. A March 8, 1995 ruling of the United States Bankruptcy Court for the Central District of California, held that the lien securing the Orange County Notes did not attach to revenues received by Orange County after the filing of its bankruptcy petition on December 6, 1994, and therefore, Orange County was not required to set aside the revenues pledged under the note resolution following the bankruptcy. The Bankruptcy Court ruled that under the United States Bankruptcy Code, the lien did not attach to revenues received by Orange County after December 6, 1994 because the lien was a consensual security interest rather than a statutory lien. In July 1995, the United Stated District Court for the Central District of California reversed the decision of the Bankruptcy

Court. Orange County appealed the decision of the City Court to the United States Court of Appeals for the Ninth Circuit. Before the Ninth Circuit rendered a decision the parties settled their disputes. Accordingly, if the City were to file for bankruptcy, it is not clear whether it would be required to set aside revenues pledged under the Resolution as described above.

In addition, the Pledged Revenues and other moneys that will be set aside to pay the Notes will be held in the City's General Fund, and these funds will be invested in the pooled investment fund. Should the City go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the Pledged Revenues. In that case, unless the owners could "trace" the funds, the owners would merely be unsecured creditors of the City. There can be no assurance that the owners of the Notes could successfully so "trace" the Pledged Revenues.

Limitations on Remedies

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

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the **"Code"**) that must be satisfied subsequent to the issuance of the Notes in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes.

Purchasers should be aware that the Internal Revenue Service has issued Notice 94-84 which may have federal income tax consequences with respect to the Notes. This Notice provides generally that, in the case of short-term tax-exempt obligations (such as the Notes), the Service is studying whether interest payable at maturity on the obligations should, or should

not, be included in stated redemption price at maturity, for purposes of the rule that original issue discount represents the excess of stated redemption price at maturity over issue price.

Notice 94-84 states that until the Internal Revenue Service provides further guidance, taxpayers may treat stated interest on certain short-term obligations, such as the Notes, either as includable in stated redemption price at maturity or as not included in stated redemption price at maturity. A taxpayer, however, must treat stated interest payable at maturity on all short-term tax-exempt bonds in a consistent manner. A short-term tax-exempt bond is defined as a tax-exempt bond with a term that is not more than 1 year from the date of issue.

Purchasers of the Notes are cautioned that the opinion of Bond Counsel does not identify the amount of interest that is excluded from gross income for federal income tax purposes.

Purchasers of the Notes should consult their tax advisors regarding effects of Notice 94-84 upon individual tax circumstances.

Owners of the Notes should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Notes may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Notes other than as expressly described above.

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

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

LEGAL MATTERS

Bond Counsel's employment is limited to reviewing the legal proceedings required for the authorization of the Notes and to rendering the opinion set forth in Appendix C hereof. Jones Hall is also acting as Disclosure Counsel to the City. Jones Hall will receive compensation from the City contingent upon the sale and delivery of the Notes.

RATING

The City has obtained a rating of "_____" on the Notes from Moody's Investors Service. Certain information was supplied by the City to the rating agency to be considered in evaluating the Notes. The rating issued reflects only the views of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

LITIGATION

[Confirm] No litigation is pending or threatened concerning the validity of the Notes. In the opinion of the City, there are no lawsuits or claims pending against the City that would impair the ability of the City to repay the Notes.

UNDERWRITING

The Notes are being purchased by _____ (the **"Underwriter"**). The Underwriter has agreed to purchase the Notes at a price of $_____ (which is the aggregate principal amount of the Notes, *plus* a net original issue premium of $_____ *less* an Underwriter's discount of $_____).

The Underwriter may offer and sell the Notes to certain dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events, if material. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board and any State Repository (of which there is currently none). The specific nature of the information to be contained in the notices of material events is summarized under the caption "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the purchaser of the Notes in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

[Confirm] The City has not failed to comply with an undertaking under the Rule in any material respect during the past five years.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Notes. Quotations from and summaries and explanations of the Notes, the resolutions, statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Notes.

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

By: _____
City Manager

APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY

General

The City of Torrance (the "**City**") is situated on the western side of Los Angeles County (the "**County**"), bordered by the Palos Verdes Peninsula on the south, the Cities of Redondo Beach and Gardena on the north, the City of Carson on the east and the Pacific Ocean on the west. The City encompasses an area of approximately 21 square miles. The City provides a range of services which include police and fire protection, library services, sanitation and water services, airport and bus transit services, the construction and maintenance of streets and infrastructure and recreational activities and cultural events.

U.S. Interstate 110 (the Harbor Freeway) passes east of the City on a north-south course and provides direct connection with downtown Los Angeles, approximately 14 miles to the north and San Pedro, approximately seven miles to the south. U.S. Interstate 405 (the San Diego Freeway) traverses the north side of the City, heading north to the San Fernando Valley and south through Orange County and San Diego. About seven miles northwest of the City is Los Angeles International Airport.

The climate is generally mild with an average temperature of about 62 degrees (F). Extremes range from an average minimum temperature of 56 degrees (F) to an average high of 68 degrees (F). Annual rainfall has averaged about 14 inches.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

Table No. 1
CITY OF TORRANCE
Population Estimates

Year	City of Torrance	County of Los Angeles	State of California
2006	146,551	10,202,094	37,087,005
2007	147,133	10,231,000	37,463,609
2008	147,876	10,285,296	37,871,509
2009	148,558	10,355,053	38,255,508
2010	149,717	10,441,080	38,648,090

Source: State Department of Finance estimates (as of January 1)

Municipal Government

The City was incorporated in 1921 and became a charter city in 1947. The City operates under the Council-Manager form of government. The seven City Council members, including the Mayor, are elected-at-large to four year terms in alternate slates of three every two years, with the Mayor being elected every four years. The members of the City Council are subject to term limits of two four-year terms.

The City Council appoints the City Manager who heads the executive branch of the government, implements City Council directives and policies, and manages the administrative and operational functions through the department directors. The City Manager appoints the department directors with the exception of the City Clerk and City Treasurer, who are elected officials, and the City Attorney and the Finance Director, who are appointed by the City Council.

CITY FINANCES

The following selected financial information provides a brief overview of the City's finances. This financial information has been extracted from the City's audited financial statements and, in some cases, from unaudited information provided by the City's Finance Department. The most recent audited financial statements of the City with an unqualified auditor's opinion is included as Appendix B hereto. See "APPENDIX B – Excerpts from the Audited Financial Statements for the City for the Year Ending June 30, 2009."

Accounting Policies and Financial Reporting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The basis of accounting for all funds is more fully explained in the "Notes to Financial Statements" contained in Appendix B.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published. The City's Independent Auditor's Report for fiscal year 2008-09 was prepared by Mayer Hoffman McCann PC, Irvine, California.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iii) required supplementary information.

The City was required to implement Statement No. 34 for the fiscal year 2001-02 audited financial statement. See "APPENDIX B – Excerpts of the Audited Financial Statements of the City for the Year Ending June 30, 2009 – Note (1)" for a description of the significant accounting policies of the City.

General Fund Financial Summary

The audited information contained in the following tables of revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity has been derived from the City's audited financial statements for fiscal years 2006-07 through 2008-09.

Set forth below are excerpts from the City's general fund financial statements for fiscal years 2006-07 through 2008-09, the three most recent fiscal years for which audited financial statements are available.

Table No. 2
CITY OF TORRANCE
General Fund - Audited Revenues, Expenditures and Fund Balances
For Fiscal Years 2006-07 through 2008-09

	Audited Fiscal Year 2006-07	Audited Fiscal Year 2007-08	Audited Fiscal Year 2008-09
Revenues:			
Taxes	$135,624,018	$138,715,525	$132,711,199
Licenses, fees and permits	2,671,004	1,961,792	1,426,031
Fines, forfeitures and penalties	1,580,086	1,640,282	1,215,049
Use of money and property	6,025,074	7,906,730	8,137,533
Intergovernmental	1,492,781	1,088,582	868,407
Charges for current services	6,865,192	6,442,649	6,090,239
Other revenues	1,521,003	1,236,563	1,223,084
Total Revenues	155,779,158	158,992,123	151,671,542
Expenditures:			
Current operating:			
General government	21,022,473	22,831,467	22,866,006
Nondepartmental	4,604,201	5,694,909	5,258,458
Public safety	82,068,605	86,869,217	89,435,216
Public works	9,208,932	10,108,123	10,686,994
Cultural and recreation	12,768,776	13,735,102	13,896,096
Total Expenditures	$129,672,987	$139,238,818	$142,142,770
Excess (deficiency) of revenues over expenditures	26,106,171	19,753,305	9,528,772
Other financing sources (uses):			
Operating transfers in	7,604,891	9,958,012	9,899,852
Operating transfers out	(21,989,642)	(24,595,105)	(22,859,594)
Premium Tax Revenue Anticipation Notes	--	--	312,000
Total other financing sources (uses)	(14,384,751)	(14,637,093)	(12,647,742)
Excess (deficiency) of revenues and other financing sources over expenditures	$11,721,420	$5,116,212	(3,118,970)[1]
Fund balance, July 1	$45,029,698	$56,751,118	$61,867,330
Fund balance, June 30	$56,751,118	$61,867,330	$58,748,360

(1) The funding source for this amount was from the 2007-08 prior year surplus/carryover to fund transfers to capital projects, current year operations and self insurance fund approved by Council on its First Quarter Budget Review.

Source: City of Torrance, Comprehensive Annual Financial Report (2006-07 through 2008-09).

Table No. 3
CITY OF TORRANCE
General Fund Balance Sheet
As of June 30 for Fiscal Years 2006-07 through 2008-09

	Audited Fiscal Year 2006-07	Audited Fiscal Year 2007-08	Audited Fiscal Year 2008-09
Assets:			
Pooled cash and investments	$40,255,714	$72,700,879	$63,662,006
Accounts receivable	6,608,088	5,291,399	4,726,853
Accrued interest receivable	1,064,546	1,604,323	1,339,175
Due from other funds	469,347	57,132	401,902
Due from other governments	2,279,101	3,268,449	3,066,926
Advances to other funds	12,858,555	13,858,555	14,858,555
Inventories, at cost	489	489	--
Prepaids and other assets	183,185	348,010	290,745
TOTAL ASSETS	$63,719,025	$97,129,236	$88,346,162
Liabilities and Fund Balance:			
Liabilities:			
Accounts payable	908,476	3,385,076	1,955,685
Accrued liabilities	4,552,598	2,270,395	1,968,655
Due to other funds	--	--	137
Interfund advances payable	600,000	600,000	600,000
Notes Payable		28,000,000	25,000,000
Deferred revenue	--	--	--
Unearned revenue	879,091	881,622	49,100
Deposits and guarantees	27,742	124,813	24,225
TOTAL LIABILITIES	$6,967,907	$35,261,906	$29,597,802
Fund Balance:			
Designated:			
Reserved for:			
Advances to other funds	12,858,555	13,858,555	14,858,555
Encumbrances	2,235,061	1,856,590	2,582,014
Inventories	489	489	--
Capital outlay	--	--	--
Prepaids	183,185	348,010	290,745
Unreserved, reported in:			
General Fund:			
Designated for capital outlay	5,489,100	7,697,206	8,421,819
Undesignated	35,984,728	38,106,480	32,595,227
Total fund balance	$56,751,118	$61,867,330	$58,748,360
Total liabilities and fund balance	$63,719,025	$97,129,236	$88,346,162

Source: City of Torrance; Comprehensive Annual Financial Reports (2006-07 through 2008-09).

Budgetary Process

General. The City is required by its charter to adopt an annual budget for the General Fund only; however, the City develops and maintains a program budget by major goals and programs for all City functions in order to provide for effective management and budgetary control of City assets. From the effective date of the General Fund budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager may make such changes within the budget totals and allocations of any department during the fiscal

year as he deems reasonably necessary in order to meet the City's needs and goals, provided, however, that the City Manager may not increase the number of employee positions allocated in the budget for any department without an amendment to the budget approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the program level; however, budget amounts may be transferred within departments.

2007-08 Budget. On May 22, 2007, the City Council approved a balanced operating budget for fiscal years 2007-08 and 2008-09, and it remained balanced through the City's five-year projection.

The General Fund budget for revenues increased by 7.1% in fiscal year 2007-08. Actual growth of revenues was budgeted to be 5%. Subsequent years were projected to grow between 3.2% to 4.0%. Expenses were projected to grow within revenue constraints.

Approximately 71% of General Fund Revenues were budgeted to be derived from three revenues sources: Sales Tax ($45.1 M), Utility Users' Tax ($35.0 M), and Property Tax ($35.9 M). With regards to budgeted expenditures, Police and Fire comprised 55% or $88.5 million of budgeted General Fund expenditures (including emergency medical services).

2008-09 Budget. On May 22, 2007, Council adopted the City's two year operating budget for fiscal years 2007-08 and 2008-09.

The General Fund budget for revenues increased by 3.2% in fiscal year 2008-09. Expenses are projected to grow within revenue constraints.

Approximately 71% of General Fund Revenues are budgeted to be derived from three revenues sources: Sales Tax ($43.5 M), Utility Users' Tax ($37.2 M), and Property Tax ($39.5). With regards to budgeted expenditures, Police and Fire comprise 55% or $93.1 million of budgeted General Fund expenditures (including emergency medical services).

2009-10 Budget. The City's two-year budget for the 2009-10 and 2010-11 fiscal years was adopted on June 23, 2009. The two-year budget eliminated a $5.7 million general fund projected deficit in fiscal year 2009-10 and addresses an additional $8 - $10 million deficit through the end of the five year forecast (fiscal year 2013-14). The recession is the most significant cause of lower tax revenues and large investment losses of pension assets.

The shortfall in revenues (2008-09 fiscal year) was primarily due to reduced consumer and business spending, reduced sales tax and utility users' tax receipts. The City has resolved the projected deficit by reducing expenditures (including internal adjustments) in an amount equal to approximately 85% of the deficit and by recovering more costs from user fees in an amount equal to approximately 15% of the deficit.

For fiscal year 2009-10, revenues are projected to be below budget by approximately 4.6% at fiscal year -end 2009-10, again primarily driven by continued reduced consumer and business spending, reduced sales tax and utility users' taxes. The budget has been rebalanced by only filling vacant positions on a case by case basis as well as monitoring all departmental expenditures. To date, this has generated approximately $6-7 million in one-time savings to the General Fund.

For the upcoming 2010-11 fiscal year, the projected shortfall in revenues for the General Fund is approximately $9 million. In order to rebalance the budget, Staff will be

recommending ongoing reductions to departments in the amount of $5-6 million, internal adjustments and limited use of reserves as the economy rebounds. The City is not looking at layoffs or using work furloughs to rebalance. Approximately 68% of general fund revenues is budgeted to be derived from three revenue sources: sales taxes ($4.6 M), the City's utility users' tax ($37.6 M) and property taxes ($42.6 M). With respect to budgeted expenditures, Police and Fire expenses are budgeted to comprise 56% or $100 million of general fund expenditures (not including emergency medical services).

State Budget and its Impact on the City

Set forth in the following paragraphs are descriptions of the State budget process, the current State budget situation, and the potential impacts on the City.

The Budget Process. Through the State budget process, the State can enact legislation that significantly impacts the source, amount and timing of the receipt of revenues by local agencies, including the City. As in recent years, State budget deficits can result in legislation that adversely impacts local agency budgets.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated herein by reference.

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the

"Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office the ("**LAO**") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

2008-09 State Budget. On September 23, 2008, the Governor signed the 2008-09 State Budget into law (the "**2008-09 Budget**"). The 2008-09 Budget resolved the $24.3 billion budget deficit identified in the May (2008) revision to the Governor's Proposed Budget. The 2008-09 Budget, as adopted, projected revenues of $103.027 billion in fiscal year 2007-08 and $101.991 billion in fiscal year 2008-09 (representing an increase of $1.837 billion in fiscal year 2007-08 and a decrease of $996 million in fiscal year 2008-09, compared with the May Revision), provided a modest reserve of $1.7 billion, but projected a deficit of $1.0 billion in fiscal year 2009-10.

Special Session - Revisions to 2008-09 Budget; 2009-10 Adopted State Budget. Through a series of legislative actions that occurred from November 5, 2008 through February 20, 2009, the State legislature and the Governor enacted a budget package addressing the 2008-09 Budget deficit, and adopting a budget for fiscal year 2009-10.

On March 13, 2009, the LAO updated its revenue forecast and projected that revenues would fall short of the assumptions in the 2009-10 Budget by $8 billion and that number of the adopted solutions—revenue increases and spending reductions—are of a short-term duration. Thus, without corrective actions, the State's huge operating shortfalls will reappear in future years—growing from $12.6 billion in 2010–11 to $26 billion in 2013.

On May 7, 2009, the LAO reported that, as result of the budget and cash pressures of recent months, the General Fund's "cash cushion"—the monies available to pay State bills at any given time—currently is projected to end fiscal year 2008-09 at a much lower level than normal. Without additional legislative measures to address the State's fiscal difficulties or unprecedented amounts of borrowing from the short-term credit markets, the State will not be able to pay many of its bills on time for much of fiscal year 2009-10.

May 14, 2009 Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. On May 14, 2009, the Governor released the May Revision, which included two alternative proposals to revise the State budget to address the State's increasing deficit. The specific proposal to be considered depended, in part, on the result of certain statewide ballot measures decided by the voters on the May 19, 2009 special election ballot.

Because State voters rejected the three propositions on the special election ballot that would have helped balance the State's budget, the Governor estimates a budget shortfall of $21 billion in 2009-10.

Governor Declares Fiscal Emergency. The Governor announced on July 1 that the budget deficit had grown by $2 billion to $26.3 billion due to the failure of State lawmakers to adopt immediate education cuts and money-shifting plans by the June 30 fiscal year end. He declared a fiscal emergency and ordered a Proposition 58 special session of the Legislature to solve the State's deficit. To address the State's cash crisis, on July 2 the State began issuing registered warrants, or IOUs, to several classes of creditors, including certain local governments.

2009-10 State Budget Amendments; Proposition 1A Borrowing. On July 24, 2009, the California legislature approved amendments to the 2009-10 Budget involving 30 separate pieces of legislation to close the $26.3 billion shortfall. The Governor signed the budget plan on July 28, 2009. Total general fund spending in fiscal year 2009-10 will be more than $84 billion, down from nearly $91.7 billion in fiscal year 2008-09 and nearly $103 billion in fiscal year 2007-08. The budget amendments combine deep spending cuts, borrowing from local governments and accounting maneuvers.

The approved amendments include borrowing from local governments and various accounting maneuvers to generate additional revenues in the 2009-10, including (among many others) $2 billion borrowed from cities' and counties' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), but the State must repay the borrowing with interest within three years (see " – Property Taxes" above).

The accounting shifts rely on the assumption that an economic recovery will be well underway in the next fiscal year and some economists believe that they produce a significant budget shortfall next year. Additionally, borrowing revenues from local governments is likely to result in litigation.

Governor's Proposed Fiscal Year 2010-11 Budget. The Governor submitted his proposed 2010-11 Budget (the "**2010-11 Proposed Budget**") to the State Legislature on January 8, 2010. The 2010-11 Proposed Budget assumes that, without corrective action, the State will face a deficit of $19.9 billion, comprised of a shortfall of $6.6 billion from the 2009-10 fiscal year, a 2010-11 shortfall of $12.3 billion and a proposed reserve of $1 billion. The 2010-11 Proposed Budget proposes initial spending reductions of $8.5 billion. Proposed reductions include program eliminations, further reductions to various health and human services programs, a $2.4 billion reduction to the anticipated level of funding for Proposition 98 (over a two-year period), substantial changes to employee compensation, and reductions to the Department of Corrections and Rehabilitation. In addition, the 2010-11 Proposed Budget relies on $6.9 billion in additional federal funding and proposes an additional $4.6 billion in spending reductions if the federal funding is not received. The 2010-11 Proposed Budget also includes $2.4 billion in increased revenues and requires external borrowing to meet cash needs during the fiscal year.

The Governor called the Legislature to a special session to adopt $8.9 billion of the proposed $19.9 billion in budget solutions and to put measures on the June 2010 ballot to facilitate $1 billion in general fund budget relief from Proposition 10 early childhood development funds and Proposition 63 mental health funds.

LAO Report. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of a $18.9 billion budget problem is reasonable but is a $3.1 billion smaller shortfall than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relies heavily on federal relief, which the

state is unlikely to receive in the amounts requested. The Legislature needs to assume that the federal relief will total billions less than the Governor budgets for and will need to make difficult decisions regarding both revenues and spending and needs to make many key decisions by the end of March in order to implement them for the next fiscal year.

2010-11 Special Session. On March 11, 2010, the California Legislature adjourned the special session called by the Governor. The Legislature adopted a package of bills that the Legislature said would reduce the deficit by more than $4 billion. Since then, the Governor vetoed two bills that contained a majority of the deficit reductions.

May 2010 Budget Revision. Under California law, in May of each year, the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. The Governor's May 2010 Budget Revision estimates a general fund budget gap of $19.1 billion, $7.7 billion for the 2009-10 fiscal year, $10.2 billion for the 2010-11 fiscal year, and a reserve of $1.2 billion. The May Revision proposes $12.4 billion in spending reductions and alternative funding solutions, representing two-thirds of the solutions, borrowing and fund shifts totaling approximately 10% of the solutions and approximately 5% of the package relies on new revenues. Major spending reduction proposals include reductions of $4.3 billion of Proposition 98 spending, including the elimination of need-based, subsidized childcare, reductions of $2.1 billion by reducing state employees pay and staffing and shifting pension costs to employees, and the elimination of the CalWORKs program, which provides cash grants and welfare-to-work services, representing $1.2 billion in savings.

LAO Report. On May 18, 2010, the LAO published its comments on the May Revision stating that the Governor's estimate of the budget shortfall is reasonable. However, the LAO Report advises the Legislature to reject the Governor's most drastic spending cuts, particularly the elimination of CalWORKs and child care funding, instituting instead the LAO's alternative spending reduction proposals, and adopting selective revenue increases from fee increases and other non-tax revenues and targeted tax increases. Additionally, the LAO Report urges the Legislature to suspend Proposition 98 if the minimum guarantee is above the level that the state can afford. The LAO predicts that even if the Legislature approves all of the painful cuts and realizes the savings assumed by the Governor's May Revision, a multibillion-dollar operating deficit between $4 billion and $7 billion is likely to persist in future years.

Future State Budgets. The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Decrease in such revenues may have an adverse impact on the City's ability to pay the Notes.

Comparison of Budget to Actual Performance

For purposes of comparison, the following table summarizes the City's adopted budgets for fiscal years 2007-08 and 2008-09 and sets forth audited revenues and expenditures for fiscal years 2007-08 and 2008-09; it also includes the City's adopted budget for fiscal year 2009-10.

Table No. 4
CITY OF TORRANCE
General Fund - Comparison of Budgeted and Actual Revenues, Expenditures and Fund Balances For Fiscal Years 2007-08 through 2009-10

	Budgeted Fiscal Year 2007-08	Audited Fiscal Year 2007-08	Budgeted Fiscal Year 2008-09	Audited Fiscal Year 2008-09	Budgeted Fiscal Year 2009-10
Fund Balance, July 1 (1)	$56,751,118	$56,751,118	$61,867,330	$61,867,330	$58,748,360
Revenues:					
Taxes	138,411,621	138,715,525	141,231,413	$132,711,199	139,476,127
Licenses, fees and permits	2,060,042	1,961,792	2,139,510	1,426,031	2,333,910
Fines, forfeitures and penalties	1,348,000	1,640,282	1,365,726	1,215,049	1,966,047
Use of money and property	2,961,742	7,906,730	5,182,990	8,137,533	7,282,761
Intergovernmental	1,849,625	1,088,582	1,009,625	868,407	617,221
Charges for current services	4,199,222	6,442,649	4,124,279	6,090,239	5,033,406
Other revenues	3,072,500	1,236,563	3,065,300	1,223,084	3,065,300
Transfers in	9,722,055	9,958,012	10,869,833		12,001,476
Liquidation of fund balance	1,900,000		639,967		1,990,650
Total Revenues	$165,524,807	$168,950,135	$169,628,643	$151,671,542	$173,766,898
Expenditures:					
Current operating:					
General government	$26,648,799	$22,831,467	$31,999,369	22,866,006	$27,353,183
Nondepartmental	8,435,917	5,694,909	6,957,085	5,258,458	7,778,330
Transfers out	21,151,812	24,595,105	15,796,239		21,311,789
Public safety	84,031,506	86,869,217	85,584,675	89,435,216	90,396,196
Public works	11,393,391	10,108,123	12,167,477	10,686,994	12,343,116
Cultural and recreation	13,863,382	13,735,102	14,423,798	13,896,096	14,584,284
Total Expenditures	$165,524,807	$163,833,923	$169,628,643	$142,142,770	$173,766,898
Fund Balance, June 30	$56,751,118	$61,867,330	$61,867,330	$58,748,360	$58,748,360

(1) The City's adopted budgets do not include fund balances because, at the time the City Council adopts the budgets, the City does know the June 30 Fund Balance for the most recently completed fiscal year, either on an audited or an unaudited basis. For purposes of this table, therefore, the July 1 Fund Balance for (a) the fiscal year 2007-08 budget column is the June 30, 2007 Fund Balance based on the City's audited financial statements, (b) the fiscal year 2008-09 budget column is the June 30, 2008 Fund Balance based on the City's June 30, 2008 audited financial statements and (c) the fiscal year 2009-10 budget column in the June 30, 2009 Fund Balance based on the City's June 30, 2009 audited financial statements. In each case, the June 30 Fund Balance reflects the impact of budgeted revenues and expenditures on the July 1 Fund Balance.
Source: City of Torrance.

Tax Receipts

Taxes received by the City include property taxes, sales and use taxes, utility user's taxes, business license taxes, occupancy taxes, franchise taxes and other miscellaneous taxes. In fiscal year 2008-09 sales and use taxes constituted approximately 19.3% of tax revenues, utility users' taxes constituted approximately 21.5% of tax revenues and property taxes constituted approximately 32.0% of tax revenues.

The following table sets forth tax revenues received by the City for fiscal years 2004-05 through 2008-09 by source:

Table No. 5
CITY OF TORRANCE
General Fund Tax Revenues by Source
For Fiscal Years 2004-05 through 2008-09
(Dollars in thousands)

Source:	2004-05	2005-06	2006-07	2007-08	2008-09
Property taxes (1), (2)	$27,156	$38,632	$46,798	$48,361	$48,693
Sales and use tax (2)	37,477	31,439	31,936	31,545	29,357
Utility Users Tax	31,380	33,140	33,169	35,374	32,654
Other taxes (3)	20,802	22,965	23,721	23,435	22,007
Licenses, fees, permits	2,503	2,693	2,671,	1,962	1,426
Fines, forfeitures, penalties	1,333	1,468	1,580	1,641	1,215
Use of money and property	3,239	3,745	6,025	7,907	8,138
Intergovernmental	1,406	3,806	1,493	1,089	868
Current service charges and other revenues	9,764	7,972	8,386	7,679	7,625
Total	$135,060	$145,860	$155,779	$158,993	$151,983

(1) Property tax revenue includes secured, unsecured and supplemental property tax revenue along with penalties and interest.
(2) The shift between fiscal year 2004-05 and fiscal year 2005-06 in the relative amounts of property tax revenue and sales tax revenue is primarily attributable to Proposition 57. See "Impact of State Budget" below.
(2) Other taxes include business license tax, business permit tax, construction tax, real property transfer tax, franchise tax, occupancy tax, oil severance tax, cogeneration tax and water utility late charge.
Source: City of Torrance Finance Department.

Sales Taxes

General. Sales tax represents the third largest source of revenue to the City, although it has historically been the largest (see "Impact of State Budget" below). The City's sales tax revenue represents the City's 1% share of the sales and use tax imposed on taxable transactions occurring within the City's boundaries. A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. Effective January 1, 2002, the statewide tax rate is 7.25%. An additional 1.50% is collected in Los Angeles County for transportation purposes.

The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

Table No. 6
CITY OF TORRANCE
Sales Tax Rates

State General Fund	7.25% (1)
County	0.25
City	0.75 (2)
Los Angeles County Transportation Commission	1.50
Total	9.75%

(1) Effective April 1, 2009, the sales tax rate temporarily increased by 1.00%. See "State Budget and Its Impact on the City" above.
(2) See "RISK FACTORS – Impact of Sales and Use Tax Redirection."

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the Board first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Impact of State Budget. On March 2, 2004, the State's voters approved the California Economic Recovery Bond Act ("**Proposition 57**"), which authorized the State to issue up to $15 billion of economic recovery bonds to finance the negative State General Fund reserve balance as of June 30, 2004 and other State General Fund obligations undertaken prior to June 30, 2004. Proposition 57 also called for local sales and use taxes to be redirected to the State, including 0.25% that would otherwise be available to the City, to pay debt service on the "economic recovery" bonds, and for an increase in local governments' share of local property tax by a like amount.

Given the short maturity date of the Notes, the City does not anticipate that the State's Budget situation will negatively impact the City's ability to pay debt service on the Notes.

History of Taxable Transactions. For the first quarter of 2009, total taxable transactions in the City amounted to $782,165,000, a 14.24% decrease from the $912,034,000 of taxable transactions that occurred for the first quarter of 2008. The following table shows taxable transactions in the City by type of business during calendar years 2004 through 2008. Annual figures are not yet available for 2009.

Table No. 7
CITY OF TORRANCE
Taxable Transactions by Type of Business
For Calendar Years 2004 through 2008
(Dollars in thousands)

	2004	2005	2006	2007	2008
Retail Stores:					
Apparel Stores	$ 191,503	$ 191,553	$ 198,045	$ 225,054	$216,237
General Merchandise Stores	561,774	561,307	566,757	570,295	533,396
Food Stores	82,508	85,395	85,446	91,121	93,406
Eating and Drinking Places	307,001	320,403	341,095	360,355	362,015
Home Furnishings and Appliances	208,960	204,331	191,477	190,181	206,256
Bldg. Materials and Farm Implmnts.	185,368	191,733	198,394	205,003	162,208
Auto Dealers and Auto Supplies	696,637	801,858	774,227	725,097	601,553
Service Stations	171,933	187,574	221,988	213,154	250,532
Other Retail Stores	523,229	522,125	555,520	559,803	452,965
Retail Store Totals	$2,928,913	$3,066,279	$3,132,949	$3,140,063	$2,878,568
All Other Outlets	697,543	769,280	839,880	899,965	973,256
TOTAL ALL OUTLETS	$3,626,456	$3,835,559	$3,972,829	$4,040,028	$3,851,825

Source: State Board of Equalization.

Utility Users' Tax

The Utility Users' Tax is imposed on all users of natural gas, electricity, water, wastewater, cable television and telephone services within the City's limits. The tax rate is 6.5% of all utility charges except water (which is 6.0%). This tax rate has been in effect since July 1991, and the Utility Users' Tax has been in effect since 1969. Effective July 1988, the City expanded the Utility Users' Tax to include cogeneration facilities based upon the value of electricity generated, and, effective July 1989, the City expanded the Utility Users' Tax to include interstate and international long distance calls. On June 3, 2008, the voters ratified an ordinance to maintain the City's existing Utility Users' Tax that has been in place since 1972, and confirming that the Utility User's Tax should cover cell phone service and other telecommunications services.

An exemption from the Utility Users' Tax is available to senior citizens over the age of 62 and to permanently disabled individuals, provided that the combined adjusted gross income of all household members is below $22,500. As provided by the State Constitution, insurance companies are exempt from the Utility Users' Tax. In addition, county, state, federal and foreign governments within the City are not subject to this tax, as the City has no authority to impose a tax on these entities. Exemptions account for a minor amount of the total Utility Users' Tax base.

Utility companies collect and transmit the Utility Tax monthly to the City's Finance Department which then deposits the tax revenues into the General Fund.

Property Taxes

The City currently receives property taxes in lieu of sales taxes as a result of Proposition 57 (See "Sales Taxes" and "Impact of State Budget" above). It has been the primary revenue source affected by voter initiatives and legislative actions. With approval of Proposition 13, property tax revenues were first curtailed almost 20 years ago when they were reduced by two-thirds and thereafter limited to 2% annual increases or the CPI, whichever was less.

More recently, the California and local economies have been revitalized, property values have risen, and new construction has increased, all of which has been reflected in a higher level of property tax collections.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS," above.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured

roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the unsecured roll.

Proposition 8 Reductions. As reported by the Los Angeles County Assessor, Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a "decline-in-value." As of January 1st (lien date) each year, the Assessor must enroll either a property's Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a "Proposition 8 Value."

In 2009, the Los Angeles County Assessor performed a reassessment of 473,000 single-family residences and condominiums which resulted in lower assessments on 333,870 properties. The average reduction in value in Los Angeles County was approximately $120,000 or approximately $1,300 in property tax savings.

The City continues to be the city with the fourth highest assessed value in Los Angeles County. Although the assessed value of the incorporated areas of the County fell by 0.3%, the City's total assessed value increased by more than $550 million or 2.4%.

Historical Assessed Valuation Information. Set forth below is a listing of the City's assessed valuations, net of homeowners' and other exemptions, for fiscal years 2001-02 through 2009-10.

Table No. 8
CITY OF TORRANCE
Historical Assessed Valuation
For Fiscal Year 2001-02 through 2009-10
(Dollars in thousands)

	Local Secured [1]	Utility	Unsecured	Total	% Change
2001-02	$13,843,582	$7,098	$1,103,295	$14,953,975	---
2002-03	14,551,227	6,665	1,083,605	15,641,497	4.6%
2003-04	15,679,472	8,426	1,055,908	16,743,806	7.1
2004-05	16,526,405	8,416	1,017,446	17,552,267	4.8
2005-06	17,836,645	6,264	995,440	18,838,349	7.3
2006-07	19,513,907	5,418	1,012,554	20,531,879	9.0
2007-08	20,963,740	2,270	1,037,399	22,003,409	7.2
2008-09	22,121,340	2,270	1,076,589	23,200,199	5.4
2009-10	22,621,364	13,724 [2]	1,127,722	23,762,810	3.2

(1) Less real and secured personal property exemptions.
(2) A portion of the increase reflects the purchase of property by AT&T with a land value of approximately $2.3 million. Because the purchase was not reported on a timely basis and, consequently, there was an "escaped assessment" for three years, the County has reported the fiscal year 2009-10 land value as three times the actual value, which allows the County to collect the tax for the two years of escaped assessments. In fiscal year 2010-11, the County will reduce the value to the proper value (approximately $2.3 million) plus any increase allowed under California Constitution Article XIIIA. Most of the remaining increase is attributable to a non-operating plant and building reported by AT&T.
Source: Los Angeles County Auditor-Controller's Office

The following table shows property tax levies and tax collections for fiscal years 2001-02 through 2008-09. Los Angeles County has not implemented the Alternative Method of

Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), which allows each entity levying property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected. Therefore, the City's property tax revenues reflect actual collections.

Table No. 9
CITY OF TORRANCE
Property Tax Levies and Tax Collections
Fiscal Years 2001-02 through 2008-09
(Dollars in thousands)

Fiscal Year	Adjusted total current tax levy	Collections of current secured & unsecured taxes [1]	% of levy collected during fiscal year	Total current secured & unsecured collections[2]	Total current secured & unsecured Collections as percent of current levy	Outstanding delinquent taxes [3]	Delinq. tax as % of current levy
2001-02	$17,169	$16,306	95.0%	$16,451	95.8%	$587	3.4%
2002-03	18,247	16,772	91.9	17,115	93.8	606	3.3
2003-04	19,413	17,088	88.0	18,358	94.6	546	2.8
2004-05	20,444	16,779	82.0	17,386	85.1	607	3.0
2005-06	21,929	18,753	85.5	18,872	86.0	650	2.9
2006-07	23,601	22,437	95.1	22,578	95.7	989	4.2
2007-08	25,588	23,943	93.6	24,065	94.0	1,357	5.3
2008-09	26,937	25,031	92.9	25,298	93.9	1,345	5.0

(1) Reflects collections for tax district number 1; such collections are General Fund revenues.
(2) Excludes consideration of aircraft assessment taxes and delinquent penalties; includes collection of delinquent taxes.
(3) Includes delinquency from current tax levy only.
Source: City of Torrance; Comprehensive Annual Financial Report; Finance Dept.

The following table lists the top 20 local secured taxpayers in the City of Torrance for fiscal year 2009-10.

Table No. 10
CITY OF TORRANCE
Top 20 Local Secured Taxpayers
Fiscal Year 2009-10

	Property Owner	Primary Land Use	2009-10 Assessed Valuation	% of Total (1)
1.	Del Amo Fashion Center Operating Co. LLC	Shopping Center	$ 513,639,579	2.25%
2.	Toyota Motor Sales USA Inc.	Office Building	477,137,128	2.09
3.	American Honda Motor Co. Inc.	Industrial	387,285,080	1.70
4.	Mobil Oil Corp.	Industrial	262,531,040	1.15
5.	Allied Signal Inc.	Industrial	102,159,133	0.45
6.	Prologis Macquarie US LLC/ Prologis California I LLC	Industrial	81,078,006	0.36
7.	CTC Group Inc.	Hotel	63,149,474	0.28
8.	Diamondrock Torrance Owner LLC	Hotel	62,919,615	0.28
9.	Ball Metal Beverage Container Corp.	Industrial	61,809,442	0.27
10.	Sunrider Corp.	Office Building	61,216,728	0.27
11.	Rreef America REIT III Corp. GG2	Manufacturing	60,343,199	0.26
12.	Del Amo Financial Center LP	Bank	60,208,921	0.26
13.	Alcoa Global Fasteners Inc.	Industrial	59,909,613	0.26
14.	MSK Fairfield Milano LLC	Apartments	58,527,871	0.26
15.	Sears Roebuck and Co.	Shopping Center	54,531,847	0.24
16.	Dominguez Investment Company LLC	Office Building	53,550,000	0.23
17.	TIC RI Torrance 22 LLC	Hotel	52,040,400	0.23
18.	Suncal Torrance Properties LLC	Shopping Center	51,496,110	0.23
19.	Torrance Health Association Inc.	Industrial	51,141,390	0.22
20.	Del Amo Associates LLC	Shopping Center	51,063,704	0.22
			$2,625,738,280	11.51%

(1) 2009-10 Local Secured Assessed Valuation: $22,804,438,619.
Source: California Municipal Statistics, Inc.

Retirement System

City's Defined Benefit Pension Plan. The City's Defined Benefit Pension Plan ("**Plan**") provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System ("**CalPERS**"), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State.

Eligibility. All full-time and part-time benefited City employees are eligible to participate in CalPERS. Benefits vest after five years of service. City employees who retire at or after age 50 with 5 years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to the following:

Police – 3% of their average salary during their last year of employment, if they retire at or after age 50

Fire – 3% of their average salary during their last year of employment, if they retire at or after age 50

Miscellaneous – 2% of their average salary during their last year of employment, if they retire at or after age 55.

This percentage increases incrementally after each year of credited service up to 30 years for Safety (Fire, Policy) employees and no limits for Miscellaneous employees. The system also provides for death and disability benefits. The retirement benefit for each group is calculated by multiplying the number of years of service times the percentages set forth above with a maximum cap for Safety employees at 90% of salary and no cap for Miscellaneous employees. These benefit provisions and all other requirements are established by statute and City ordinance.

Funding Policy. Safety and Miscellaneous members in the Plan are required to contribute 9% and 7%, respectively, of their annual covered salary, which the City has opted to assume on behalf of substantially all of its employees. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2009 was 10.726% for Miscellaneous employees, 32.537% for Fire employees and 38.536% for Police employees. The contribution requirements of the Plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

For the fiscal year ended June 30, 2009 the City's annual pension cost and its actual contributions were $29,513,612. The City contributed $21,400,275 on behalf of its employees. Employees directly contributed $8,113,337. The required contribution for the year ended June 30, 2009 was determined as part of the June 30, 2006 actuarial valuation using the entry-age-normal-actuarial-cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 10.05% for Miscellaneous members and from 3.25% to 11.15% for Safety members; and (c) a 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0% and an annual production growth of 0.25%. See Appendix B, Note 8 for additional information about determination of actuarial value and amortization of unfunded liabilities.

Table No. 11
Three-year Trend Information for the Plan

Fiscal year ended June 30	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligations
2007	$27,693,648	100%	--
2008	28,478,307	100	--
2009	29,513,612	100	--

Table No. 12
Funded Status of the
City's Defined Benefit Pension Plan (Fire, Safety, Miscellaneous)
(Dollars in millions)

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded/ (overfunded) liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2005	$811.2	$678.7	$132.5	83.7%	89.6%	147.9%
2006	857.0	725.7	131.2	84.7	92.3	142.2
2007	914.5	780.0	134.8	85.3	95.8	140.7
2008	964.7	824.9	139.8	85.5	98.8	141.5

Source: Comprehensive Annual Financial Report (fiscal year 2008-09).

Recent PERS Performance. PERS announced an almost 25% loss ($56.8 billion) for the fiscal year ended June 30, 2009; it reported a $8.5 billion loss for the fiscal year ended June 30, 2008. These losses are likely to require significant increases in annual contributions by the City.

Post-Employment Health Benefits

The City adopted Government Accounting Standards Board Statement 45 beginning with its fiscal year 2007-08. See Appendix B, Note 9 for information about the City's Post-Employment Health Benefit liabilities.

Outstanding General Fund Debt and Lease Obligations

The City currently has outstanding general fund debt and lease obligations described below. The City has never defaulted on the payment of principal of or interest on any of its indebtedness. The City has complied with all significant bond covenants relating to reserve and sinking fund requirements, proofs of insurance, and budgeted revenues and maintenance costs.

1998 Refunding Certificates of Participation. In December 1998, the City issued $10.3 million of 1998 Refunding Certificates of Participation, to advance refund two issues of certificates of participation that were issued in 1991. As of June 30, 2009, the outstanding principal amount of the 1998 Certificates was $6,985,000.

2004 Certificates. As of June 30, 2009, $14,925,000 principal amount was outstanding of the 2004A Refunding Certificates of Participation and $23,915,000 principal amount was outstanding of the 2004B Refunding Certificates of Participation.

Direct and Overlapping Debt

Contained within the City are overlapping local agencies providing public services which have issued general obligation Certificates and other types of indebtedness. Direct and overlapping bonded indebtedness is shown in the following table.

Table No. 13
CITY OF TORRANCE
Statement of Direct and Overlapping Debt As of June 30, 2010
(In Thousands)
(Unaudited)

2009-10 Assessed Valuation:	$23,945,884,172
Redevelopment Incremental Valuation:	906,254,142
Adjusted Assessed Valuation:	$23,039,630,030

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/10	% Applicable (1)	City's Share of Debt 6/30/10
Los Angeles County Flood Control District	$ 69,610,000	2.447%	$ 1,703,357
Metropolitan Water District	264,220,000	1.274	3,366,163
El Camino Community College District	175,243,943	30.610	53,642,171
Los Angeles Community College District	2,365,515,000	0.004	94,621
Los Angeles Unified School District	11,874,430,000	0.005	593,722
Torrance Unified School District	187,603,540	99.998	187,599,788
Los Angeles County Regional Park and Open Space Assessment District	222,660,000	2.478	5,517,515
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$252,517,337
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Los Angeles County General Fund Obligations	$855,695,839	2.478%	$ 21,204,143
Los Angeles County Pension Obligations	118,486,192	2.478	2,936,088
Los Angeles County Superintendent of Schools Certificates of Participation	13,185,458	2.478	326,736
Los Angeles County Sanitation District No. 5 Authority	56,909,182	29.040	16,526,426
Los Angeles County Sanitation South Bay Cities Authority	9,696,146	4.734	459,016
Los Angeles Unified School District Certificates of Participation	456,780,324	0.005	22,839
Torrance Unified School District General Fund Obligations	2,320,000	99.998	2,319,954
City of Torrance General Fund Obligations	**63,615,000**	**100.**	**63,615,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			$107,410,202
COMBINED TOTAL DEBT			$359,927,539 (2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2009-10 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 1.05%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($63,615,000) 0.28%
Combined Total Debt 1.56%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

Investment of City Funds

The City may invest moneys not immediately required for operations in a manner consistent with the City's Statement of Investment Policy (the "**Investment Policy**").

The Investment Policy. The Investment Policy, adopted by the City Council on March 6, 2007, applies to all financial assets, investment activities and debt issues of the City (including funds which are invested by trustees appointed under debt trust indentures, with direction from the City Treasurer). The Investment Policy is reviewed annually by an independent advisory committee (the "**Investment Advisory Committee**") and by the City Council to ensure its consistency with the overall objectives and relevance to current financial and economic trend, and by the City Attorney to ensure compliance with state law. The Investment Advisory Committee, which consists of the City Manager, Finance Director and City Attorney or their appointed designees, meets monthly and reviews investment and strategy status. Amendments to the Investment Policy may only be made with the approval of the City Council. The City Treasurer is required to render a monthly report to the Investment Advisory Committee and the City Council showing the type of investment, issuing institution, dates of maturity, amount of deposit, current market value for all securities with a maturity of more than twelve months, rate of interest and such other data as required by law and as may be requested by the City Council. The City Treasurer is also required to make quarterly presentations to the City Council analyzing the portfolio and market trends.

The Investment Policy establishes three objectives for City investment, in the following order of priority:

(1) Safety of principal: to ensure that capital losses are avoided, and to preserve principal by mitigating credit risk (risk of loss due to failure of an issuer of a security) and market risk (risk of market value fluctuations due to overall changes in interest rates).

(2) Liquidity: to ensure that an investment contains the feature of being easily sold at any time with a minimal risk of loss of principal or interest. To the extent possible, investments should be made so that maturities are compatible with City cash flow requirements. No single investment may be purchased with a term to maturity at the date of purchase which exceeds five years.

(3) Return of Investment: to attain a market-average rate of return through economic cycles. Whenever possible, and consistent with risk limitations as defined in the Investment Policy, the City Treasurer may seek to augment returns above the market average rate of return.

Specific Investment Restrictions. The City is governed by Section 53600 et seq. of the California Government Code. Within the context of these limitations, the Investment Policy mandates avoidance in "any investment transaction that might impair public confidence in the City government." The Investment Policy lists the following investments as being permitted investments, and the maximum allowable percentage of total City investments for each investment category:

(a) United States Treasury bills, notes and bonds (no maximum);

(b) Obligations issued by a federal agency or a United States government-sponsored enterprise (maximum of 75%);

(c) Bonds issued by the local agency (maximum of 10%)

(d) Banker's acceptances (maximum of 20%);

(e) Time deposits (maximum of 10%);

(f) Negotiable certificates of deposit (maximum of 20%);

(g) Repurchase agreements (maximum of 10%);

(h) Commercial paper (maximum of 15%);

(i) Local Agency Investment Fund (maximum of $50,000,000 per agency); and

(j) Medium term notes of maximum five years maturity (maximum of 20%).

The above investment categories are more fully described in the Investment Policy. The Investment Policy does not permit investment in equity securities, bond mutual funds, reverse repurchase agreements, derivative contracts (forwards, futures and options), securities with high price volatility or limited marketability, common stocks or shares of beneficial interest otherwise known as mutual funds.

The Monthly Report. As described above, the City Treasurer submits a monthly report to the City Council detailing and summarizing all transactions and stating the present status of City investments (the "**Monthly Report**"). As of March 31, 2010, the City Treasurer reports that the yield of the City's investment portfolio was 2.405% (based on a 365-day year) and the average days to maturity is 815 days.

The following table summarizes certain information relating to the City's investment portfolio as of March 31, 2010:

Table No. 14
CITY OF TORRANCE
Investment Portfolio Summary
(as of March 31, 2010)

Type of Investment	Book Value	Market Value [1]	% of Portfolio [2]
LAIF	$40,600,000	$40,600,000	25.36%
Municipal bonds-coupons	783,841	783,841	.49
Federal Agency Issues	96,990,498	97,655,200	60.58
Treasury Securities-Coupon	1,998,966	2,015,980	1.25
CD Collateralized-insured	2,450,000	2,450,000	1.53
Medium Term Notes	17,276,995	17,689,328	10.79
Money Market Sweep account	40	40	0.00
Total	160,100,340	161,194,389	100.00

(1) Market Value as of March 31, 2010
(2) Numbers may not add because of rounding.
Source: City of Torrance.

Employee Relations and Collective Bargaining

City employees are represented by 19 employee associations. The employee associations are shown below. Pursuant to the City's Employee Relations Ordinance and the Meyers-Millias-Brown-Act, the City and the employee associations negotiate wages, hours and conditions of employment.

Employee Group	Employees	Contract Expires
Certain Full-Time Salaried & Hourly Employees	54	3/31/2010
Certain Part-Time Hourly Employees	121	3/31/2010
Crossing Guards	31	6/30/2010
Elected Officials	9	Continuous
Engineers and Torrance Fiscal Employees Assn	94	3/31/2010
Executive & Management	65	Continuous
Police & Fire Trainees	5	Continuous
Safety Management	6	Continuous
Torrance City Employees Assn	104	2/28/2010
Torrance Fire Fighters Assn	141	12/31/2011
Torrance Fire Chief Officers Assn	5	12/31/2011
Torrance Library Employees Assn	98	3/31/2010
Torrance Municipal Employees Organization (AFSCME Local 1117)	418	3/31/2010
Torrance Police Officers Assn	200	12/31/2011
Torrance Police Commanders Assn	15	12/31/2011
Torrance Professional Parks & Recreation Employees Organization	12	03/31/2010
Torrance Recurrent Recreational Employees Organization	542	2/28/2010
Torrance Professional & Supervisory Association	112	3/31/2010

Employment and Industry

The City is included in the Los Angeles-Long Beach-Glendale Metropolitan Division. The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 2005 through 2009. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

Table No. 15
LOS ANGELES-LONG BEACH-GLENDALE METROPOLITAN DIVISION
(LOS ANGELES COUNTY)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
2005 through 2009

Title	*2005*	*2006*	*2007*	*2008*	*2009*
Civilian Labor Force	4,771,400	4,797,400	4,863,800	4,924,500	4,896,100
Civilian Employment	4,516,000	4,568,200	4,617,100	4,557,300	4,328,600
Civilian Unemployment	255,400	229,300	246,700	367,200	567,500
Civilian Unemployment Rate	5.4%	4.8%	5.1%	7.5%	11.6%
Total Farm	7,400	7,600	7,500	6,900	6,200
Total Nonfarm	4,024,200	4,092,500	4,122,100	4,070,700	3,829,400
Total Private	3,440,500	3,503,100	3,526,400	3,467,000	3,229,900
Goods Producing	624,100	623,200	611,200	584,000	509,700
Natural Resources & Mining	3,700	4,000	4,400	4,400	4,100
Construction	148,700	157,500	157,600	145,200	116,500
Manufacturing	471,700	461,700	449,200	434,500	389,200
Durable Goods	263,400	257,300	250,900	243,200	217,100
Nondurable Goods	208,300	204,400	198,300	191,200	172,000
Service Providing	3,400,100	3,469,300	3,510,900	3,486,700	3,319,700
Private Service Producing	2,816,400	2,879,800	2,915,200	2,883,000	2,720,200
Trade, Transportation & Utilities	795,400	814,100	818,500	803,300	742,500
Wholesale Trade	219,300	225,700	227,000	223,700	204,100
Retail Trade	414,400	423,300	426,000	416,500	386,600
Transportation, Warehousing & Utilities	161,700	165,200	165,600	163,100	151,700
Information	207,600	205,600	209,800	210,300	193,700
Financial Activities	244,000	248,800	246,000	235,700	220,200
Professional & Business Services	576,100	598,900	605,400	582,600	528,100
Educational & Health Services	471,300	478,700	490,500	503,400	513,900
Leisure & Hospitality	377,800	388,600	397,900	401,600	383,900
Other Services	144,300	145,200	147,100	146,100	137,900
Government	583,700	589,400	595,700	603,700	599,500
Total, All Industries	4,031,600	4,100,100	4,129,600	4,077,600	3,835,600

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department.

Largest Employers

The following table lists the largest private employers within the City and their estimated number of employees:

Table No. 16
CITY OF TORRANCE, CALIFORNIA
Largest Private Sector Taxpayers/Employers
(Excluding Public Utilities)
June 30, 2009
(Unaudited)

Company	Number of Employees
Toyota Motor Sales	3,442
American Honda	1,773
Robinson Helicopter Co.	1,326
Honeywell International	1,317
Alcoa Fastening Systems	1,211
Hi Shear Corporation	1,018
L-3 Communications Electron Tech, Inc.	687
Exxon Mobil Oil Corporation	674
Pelican Products, Inc.	556
Adecco	479

Source: City of Torrance Finance Department; State of California Employment Development Dept.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2004 through 2008.

Table No. 17
CITY OF TORRANCE
Effective Buying Income
As of January 1, 2004 through 2008

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2004	City of Torrance	$ 3,427,923	$49,861
	Los Angeles County	177,575,730	39,414
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	City of Torrance	$ 3,508,935	$51,262
	Los Angeles County	180,142,797	40,020
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of Torrance	$ 3,712,903	$53,381
	Los Angeles County	190,915,435	41,683
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	City of Torrance	$ 3,955,608	$56,131
	Los Angeles County	202,646,560	43,710
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Torrance	$ 3,993,535	$56,670
	Los Angeles County	206,127,855	44,653
	California	832,531,445	48,952
	United States	6,443,994,426	42,303

Source: Sales & Marketing Management Survey of Buying Power for 2004; Claritas Demographics for 2005 through 2008.

Construction Activity

Building activity for the past five years in the City is shown in the following table.

Table No. 18
CITY OF TORRANCE
Total Building Permit Valuations
(valuations in thousands)
Calendar Year 2005 to 2009

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$16,549.4	$28,018.6	$16,705.0	$7,950.0	$3,714.5
New Multi-family	35,074.0	46,598.6	25,413.7	3,258.9	1,995.5
Res. Alterations/Additions	43,445.6	30,404.6	26,933.8	20,944.1	18,496.5
Total Residential	$95,068.9	$105,021.8	$69,052.5	$32,152.9	$24,206.5
New Commercial	$52,405.5	$58,507.2	$5,783.7	$25,952.0	$5,054.7
New Industrial	1,442.6	0.0	0.0	8,000.0	1,515.1
New Other	5,431.2	7,891.5	2,120.0	10,972.7	944.9
Com. Alterations/Additions	32,795.6	54,085.3	54,591.6	39,559.7	25,797.9
Total Nonresidential	$92,074.8	$120,484.1	$62,495.3	$84,484.5	$33,312.6
New Dwelling Units					
Single Family	67	109	73	29	14
Multiple Family	247	271	146	25	10
Total	314	380	219	54	24

Source: Economic Sciences Corporation, California Building Permit Activity.

Utilities

The City is the primary source of water service within the City, providing water service to over 70% of the City's developed area, including the greatest portion of its industrial tracts. The two private purveyors that provide water service to the remainder of the City are Dominquez Water Corporation and California Water Service Company. The City of Torrance Collection System, with a capacity of 350 million gallons per day, supplies sewer service. Gas and electric service are provided by Southern California Gas Company and Southern California Edison, respectively. Telephone service is provided by General Telephone and Pacific Bell to the western and eastern portions of the City, respectively.

APPENDIX B

EXCERPTS OF AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2009

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

_____, 2010

City Council
City of Torrance
3031 Torrance Blvd.
Torrance, California 90503

OPINION: $25,000,000 City of Torrance, California 2010-11 Tax and Revenue Anticipation Notes

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Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Torrance, California (the "City"), of $25,000,000 City of Torrance, California 2010-11 Tax and Revenue Anticipation Notes, dated _____, 2010 (the "Notes"), pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Act"), and a Resolution of the City, adopted on _____, 2010 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution and in the certified proceedings of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

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

1. The City is a duly created and validly existing municipal corporation with the power to adopt the Resolution, to perform the agreements on its part contained therein and to issue the Notes.

2. The Resolution has been duly adopted by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

3. Pursuant to the Act, the Resolution creates a first lien on funds pledged by the Resolution for the security of the Notes.

4. The Notes have been duly authorized, executed and delivered by the City and are valid and binding general obligations of the City.

5. The interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum

tax imposed on individuals and corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code"), that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

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

The rights of the owners of the Notes and the enforceability of the Notes and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company ("**DTC**"), the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Notes (the "**Issuer**") nor the trustee, fiscal agent or paying agent appointed with respect to the Notes (the "**Agent**") take any responsibility for the information contained in this Appendix.*

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Torrance (the "City") in connection with the issuance by the City of the $25,000,000 City of Torrance 2010-11 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the City Council of the City on _____, 2010 (the "Resolution"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Dissemination Agent*" shall mean 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.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

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

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

Section 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults.
(3) Unscheduled draws on debt service reserves reflecting financial difficulties.
(4) Unscheduled draws on credit enhancements reflecting financial difficulties.
(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions or events affecting the tax-exempt status of the security.
(7) Modifications to rights of security holders.
(8) Contingent or unscheduled bond calls.
(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities.
(11) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB; provided, however, that any notice of the occurrence of a Listed Event that is filed before July 1, 2009, shall be filed with each nationally recognized municipal securities information repository and state repository designated as such by the Securities and Exchange Commission for purposes of the Rule, and otherwise in accordance with then-applicable procedures prescribed under the Rule. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Notes pursuant to the Resolution.

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

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City.

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

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Notes, or (ii) does not, in the opinion of the Trustee or nationally recognized Bond Counsel, materially impair the interests of the holders or beneficial owners of the Notes.

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is

required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Date: _____, 2010

CITY OF TORRANCE

By _____
City Manager