

**NEW ISSUE - BOOK-ENTRY ONLY**

**NOT RATED**

*In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of preference for purposes of the federal alternative minimum tax. See "TAX MATTERS" herein.*

**\$45,120,000**  
**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**TAX ALLOCATION PARITY BONDS**  
**(SOUTHERN CALIFORNIA LOGISTICS AIRPORT PROJECT)**  
**SERIES 2003**

Dated: Delivery Date

Due: December 1, as shown below

The Southern California Logistics Airport Authority Tax Allocation Parity Bonds (Southern California Logistics Airport Project) Series 2003 (the "Bonds") will be issued pursuant to the terms of an Indenture, dated as of November 1, 2003 (the "Indenture") by and between the Southern California Logistics Airport Authority (the "Authority") and BNY Western Trust Company, as trustee (the "Trustee").

Interest with respect to the Bonds shall accrue at the rate of interest set forth in the maturity schedule on the inside cover hereof, with all interest so accruing being due and payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2004.

The Bonds are being executed and delivered as fully registered bonds, in denominations of \$5,000 or any integral multiple thereof and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the Owner of the Bonds, principal, premium, if any, and interest on the Bonds will be paid by the Trustee directly to DTC, which will, in turn, remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS - Book-Entry Only System" herein for additional information concerning the Book-Entry System.

**The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.**

The Bonds are being issued to (i) finance certain public capital improvements benefiting the Southern California Logistics Airport, (ii) finance certain low and moderate income housing projects, (iii) fund the Reserve Account for the Bonds, and (iv) pay costs of issuance of the Bonds. The Bonds are payable from and secured by the Pledged Tax Revenues (as defined herein).

The Bonds are not a debt of the Victor Valley Economic Development Authority ("VVEDA"), the City of Victorville (the "City"), the State of California (the "State") or any of its political subdivisions, other than the Authority, and neither VVEDA, the City, the State or any of its political subdivisions, other than the Authority, is liable therefor, nor in any event shall the Bonds or any interest thereon, or any redemption premium herein be payable out of any funds or properties other than those of the Authority. The principal of and interest on the Bonds are payable exclusively from the Pledged Tax Revenues and certain other funds, in accordance with the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and neither the members of the Authority nor any persons executing the Bonds shall be personally liable on the Bonds by reason of their issuance.

**This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain Risk Factors more fully described herein.**

The Bonds are offered, when, as and if issued, subject to the approval of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon by Fulbright & Jaworski L.L.P., Los Angeles, California and Green, de Bortnowsky & Quintanilla, LLP, Calabasas, California, Co-Disclosure Counsel, and for the Authority by its General Counsel, Green, de Bortnowsky & Quintanilla, LLP, Calabasas, California. It is anticipated that the Bonds will be available for delivery in Los Angeles, California on or about November 13, 2003.

KINSELL, NEWCOMB



DE DIOS, INC.  
INVESTMENT BANKING



Dated: October 30, 2003

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS**

**\$8,395,000 Serial Bonds**

<b><u>Maturity Date</u></b> <b><u>(December 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>
2004	\$720,000	2.50%	2.50%
2005	670,000	2.50	2.75
2006	690,000	2.75	3.00
2010	820,000	4.00	4.25
2014	990,000	5.00	5.25
2015	1,035,000	5.20	5.40
2016	1,095,000	5.375	5.60
2017	1,155,000	5.60	5.80
2018	1,220,000	5.75	6.00

**\$4,930,000 5.00% Term Bonds due December 1, 2013; Yield 5.10%**  
**\$7,240,000 6.00% Term Bonds due December 1, 2023; Yield 6.20%**  
**\$5,480,000 6.10% Term Bonds due December 1, 2026; Yield NRO**  
**\$19,075,000 6.25% Term Bonds due December 1, 2033; Yield 6.40%**

# **SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**

## **AUTHORITY COMMISSION**

Terry E. Caldwell, Chairman  
Bob Hunter, Vice Chairman  
Mike Rothschild, Member  
Rudy Cabriaes, Member  
JoAnn Almond, Member

## **AUTHORITY STAFF**

Jon Roberts, Executive Director  
Adair Most, Treasurer  
Carolee Bates, Secretary

## **SPECIAL SERVICES**

**Authority General Counsel and Co-Disclosure Counsel**  
Green, de Bortnowsky & Quintanilla, LLP  
Calabasas, California

**Fiscal Consultant**  
Rosenow Spevacek Group, Inc.  
Santa Ana, California

**Bond Counsel and Co-Disclosure Counsel**  
Fulbright & Jaworski L.L.P.  
Los Angeles, California

**Trustee**  
BNY Western Trust Company  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer or sale of the Bonds described herein, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Authority and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of such by the Authority.

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 a 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 information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. The Official Statement is submitted in connection with the sale of Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

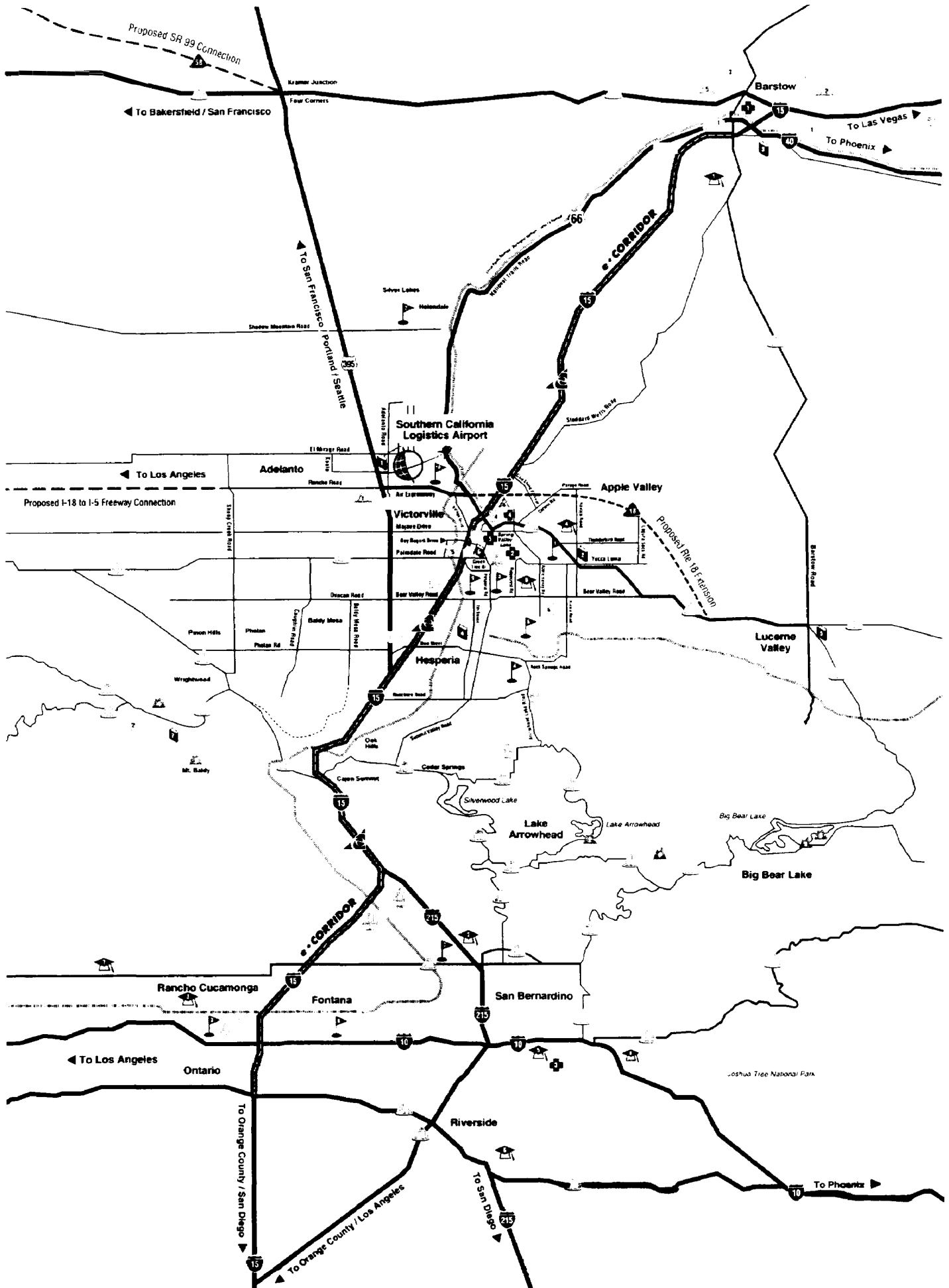
IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

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## OFFICIAL STATEMENT

**\$45,120,000**

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
TAX ALLOCATION PARITY BONDS  
(SOUTHERN CALIFORNIA LOGISTICS AIRPORT PROJECT)  
SERIES 2003**

### INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Southern California Logistics Airport Authority (the "Authority") of \$45,120,000 aggregate principal amount of the Authority's Tax Allocation Parity Bonds (Southern California Logistics Airport Project), Series 2003 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including the Community Redevelopment Law (Part 1, Division 24, commencing with Section 33000 of the Health and Safety Code of the State) (the "Law") and an Indenture, dated as of November 1, 2003 (the "Indenture"), between the Authority and BNY Western Trust Company, as trustee (the "Trustee"), and were approved by resolutions adopted by the Authority on February 18, 2003 and September 2, 2003 (collectively, the "Resolution"). Capitalized terms, if not otherwise defined here, shall have the meanings set forth in the Indenture. See "APPENDIX A – SUMMARY OF THE INDENTURE."

The Authority will use the proceeds of the sale of the Bonds to (i) finance certain public capital improvements benefiting the Southern California Logistics Airport (the "SCLA"), (ii) finance certain low and moderate income housing projects, (iii) fund a Reserve Account for the Bonds, and (iv) pay costs of issuance of the Bonds. See "PLAN OF FINANCING" herein. The Bonds are special obligations of the Authority, payable exclusively from Pledged Tax Revenues and amounts held in certain funds and accounts created pursuant to the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledged Tax Revenues" herein.

#### **The Victor Valley Economic Development Authority**

The Victor Valley Economic Development Authority ("VVEDA") is a joint exercise of powers authority established in 1989, and is authorized pursuant to the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code, commencing with Section 6500) (the "JPA Law") and the Law to issue bonds and notes to finance certain activities. The original members of VVEDA were the County of San Bernardino (the "County"), the City of Victorville (the "City"), the Town of Apple Valley and the City of Hesperia (collectively, the "Original Members"). The City of Adelanto became a member entity in 2000. All the members of VVEDA are referred to herein as "VVEDA Members." Although VVEDA is a joint powers entity, it is authorized to exclusively exercise the powers of a redevelopment agency pursuant to Section 33492.40 of the Law in connection with the redevelopment of a project area that includes a military facility subject to closure by the Federal government (the former George Air Force Base, now called the Southern California Logistics Airport and referred to herein as the "SCLA"). VVEDA has approved and adopted an amended Redevelopment Plan (the "Redevelopment Plan") for the 1993 Victor Valley Redevelopment Project Area (the "VVEDA Project Area"), which includes SCLA and certain areas in proximity thereto. VVEDA subsequently delegated to the Authority all of its redevelopment authority over that portion of the VVEDA Project Area comprised of SCLA.

## **The Southern California Logistics Airport Authority**

In 1997, VVEDA authorized the formation by the City and the Victorville Redevelopment Agency (the "Agency") of the Southern California International Airport Authority, a joint exercise of powers entity comprised of the City and the Agency. The Authority's name was subsequently changed to the Southern California Logistics Airport Authority pursuant to the Second Amended and Restated Joint Exercise of Powers Agreement Creating Southern California Logistics Airport Authority (the "SCLAA JPA"), and VVEDA delegated all of its redevelopment authority with respect to the SCLA to the Authority. The Authority also assumed the obligations and liabilities of VVEDA with respect to the Prior Notes (as defined herein) pursuant to the Third Amended and Restated Joint Exercise of Powers Agreement Creating the Victor Valley Economic Development Authority, as subsequently amended (referred to herein as the "VVEDA JPA"). Consequently, the Authority is empowered to issue bonds and notes secured by Tax Increment Revenues (as defined herein) generated in the VVEDA Project Area and allocated to SCLA pursuant to the VVEDA JPA, to finance redevelopment activities within and benefiting SCLA. See "THE AUTHORITY" herein.

## **The Southern California Logistics Airport**

On December 28, 1993, pursuant to special legislation (formerly Section 33320.5 of the Law, renumbered as Section 33492.40), VVEDA adopted its initial Redevelopment Plan which incorporated the SCLA along with approximately 40,000 acres of adjacent properties within the territorial jurisdictions of the VVEDA Members (the original area is referred to herein as the "1993 Project Area"). Due to an economic recession, the 1993 Project Area generated no Tax Increment Revenues during its first few years of existence, so VVEDA pursued special legislation which was subsequently adopted as Section 100.7 of the Revenue and Taxation Code of the State to establish 1997-98 as the base year for purposes of calculating Tax Increment Revenues. In 2000, VVEDA undertook another amendment of the Redevelopment Plan whereby the City of Adelanto became a member entity of VVEDA and some additional territory within the cities of Adelanto and Victorville and unincorporated areas of the County were added to the 1993 Project Area forming the VVEDA Project Area (the added territory is referred to herein as the "Added Area"). This additional territory lies "in proximity to" SCLA as required under Section 33492.40 of the Law.

## **Tax Allocation Financing**

The Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies within the project area thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (except such portion generated by rates levied to pay voter-approved bonded indebtedness after January 1, 1989 for the acquisition or improvement of real property) (herein, the "Tax Increment Revenues") are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the above-described allocation of taxes.

Any future decrease in the assessed valuation of taxable property in the VVEDA Project Area or in the applicable tax rates relating thereto will reduce the Tax Increment Revenues otherwise allocable to the Authority from the VVEDA Project Area and correspondingly will have an adverse impact on the ability of the Authority to pay the principal of and interest on the Bonds. Except for the Pledged Tax Revenues and the amounts held in certain funds and accounts created pursuant to the Indenture, no funds or properties of the Authority shall be pledged to, or otherwise liable for, the Bonds.

## **Parity Bonds**

On November 30, 2001, the Authority issued its Tax Allocation Bonds (Southern California Logistics Airport Project) Series 2001 (the "Parity Bonds") in the aggregate principal amount of \$13,560,000. All of such Parity Bonds are currently outstanding.

## **Security for the Bonds**

The Authority has pledged "Pledged Tax Revenues" for the repayment of the Bonds. Pledged Tax Revenues is defined in the Indenture to mean (1) on a parity basis with the Parity Bonds (A) all tax increment revenues generated on the parcels comprising SCLA pledged and annually allocated and paid to the Authority pursuant to the Redevelopment Plan and the SCLAA JPA, including all payments, subventions and reimbursements (if any) to the Authority specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the Authority in any Fiscal Year pursuant to Section 33334.3 of the Law, and (ii) amounts, if any, received by the Authority pursuant to Section 16111 of the Government Code, (B) all tax increment revenues pledged and annually allocated and paid to the Authority by the VVEDA Members from the VVEDA Project Area, exclusive of the parcels comprising SCLA, pursuant to the Redevelopment Plan and the VVEDA JPA, including all payments, subventions and reimbursements (if any) to the VVEDA Members specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the VVEDA Members in any Fiscal Year pursuant to Section 33334.3 of the Law, and (ii) amounts, if any, received by the VVEDA Members pursuant to Section 16111 of the Government Code, (C) the HDPP Guaranty (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Ground Lease"), and (D) the Victorville Pledge (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledged Tax Revenues") and (2) to the extent proceeds of the Bonds are used for low and moderate housing programs, on a first lien basis, (A) such taxes required to be deposited for low and moderate income housing purposes by the Authority in any Fiscal Year pursuant to Section 33334.3 of the Law and (B) the Victorville Housing Pledge (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledged Tax Revenues"). Approximately 35% of the Bonds will be used to finance low and moderate income housing projects.

THE BONDS ARE NOT A DEBT OF VVEDA, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY), AND NEITHER VVEDA, THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY) IS LIABLE FOR THE PAYMENT THEREFOR, NOR IN ANY EVENT SHALL THE BONDS OR ANY INTEREST THEREON, OR ANY REDEMPTION PREMIUM HEREIN BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY. THE PRINCIPAL OF AND INTEREST ON THE BONDS ARE PAYABLE EXCLUSIVELY FROM THE PLEDGED TAX REVENUES ALLOCATED TO THE AUTHORITY FROM THE VVEDA PROJECT AREA AND CERTAIN OTHER FUNDS, IN ACCORDANCE WITH THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSONS EXECUTING THE BONDS SHALL BE PERSONALLY LIABLE ON THE BONDS BY REASON OF THEIR ISSUANCE.

## **Further Information**

Brief descriptions of the Bonds, the Indenture, the Law, the JPA Law, the Authority, and VVEDA are included in this Official Statement. Such information does not purport to be comprehensive or definitive. All references herein to the Indenture, the Law, the JPA Law, the Constitution and the laws of

the State, and the proceedings of the Authority and VVEDA, are qualified in their entirety by reference to each such document, statute, constitution or proceeding. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the Indenture are available for inspection at the office of the Authority.

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

## **PLAN OF FINANCING**

A portion of the proceeds of the Bonds will be applied to (i) finance certain public capital improvements benefiting the SCLA including, but not limited to, financing the costs of infrastructure improvements necessary for the reuse and redevelopment of SCLA and (ii) finance certain low and moderate income housing projects.

### **SCLA Public Improvement Projects**

Rail Construction. To include a lead track, extending from the existing BNSF main rail line to SCLA and mainline track serving the inter-modal/multi-modal rail facility (east of and adjacent to Phantom Road). The lead track rail connection and inter-modal/multi-modal facilities will be designed and constructed to accommodate rail service to land north of and adjacent to SCLA.

- Land Acquisition
- Environmental
- Engineering
- Siding extension and storage
- East Bound Connections
- Rail Switches
- Bridge/Culvert crossings
- National Trails overhead crossing
- Earthwork
- Water quality Detention basins

Total Estimated Cost: \$86 Million

Public Roadway Improvements and Utilities. To include perimeter road improvements to Phantom East/West, the expansion of Phantom East to six lanes and offer a rail entry from Phantom East. Additional roadway improvements are required along Adelanto Blvd, "A" Street and unnamed internal roadways to accommodate land development.

- Water delivery system
- Reclaimed water delivery system
- Co-generation power generating facility and distribution system
- Delivery systems for natural gas, telecommunications, cable, storm and sewer systems
- Signal installation and modification
- Curb, gutter, sidewalk, driveways, street lights
- Relocation and demolition of existing utility lines.

Total Estimated Cost: \$20 Million

Airport Improvements. Structural modifications to existing hangars, construction of new hangar facilities, runway and taxiway improvements. These improvements are necessary to accommodate cargo delivery, aircraft maintenance and painting operations.

Total Estimated Cost: \$40 Million

Land Development

- Building demolition and asbestos remediation
- Land acquisition north of and adjacent to SCLA
- Rough grading
- Structural improvements to existing buildings and utility upgrade (Bldg's. 64, 70,266-267)
- Removal/Relocation of CalNev fuel tanks
- Master landscaping

Total Estimated Cost: \$10 Million

Operational/Financial

- Debt service retirement,
- Marketing related
- Administration

Total Estimated Cost: \$10 Million

**Affordable Housing Improvements**

Infill/Acquisition and Rehabilitation. For various residential locations throughout the City. The Victorville Redevelopment Agent proposes to acquire various vacant and dilapidated properties for build-out or substantial rehabilitation. Included in these programs are the improvements to surrounding public improvements. In exchange for the Victorville Redevelopment Agency's assistance, each benefiting residential unit will carry a 55-years affordability covenant.

Total Estimated Cost: \$500,000

Multi-Family Apartment Programs. To assist the Victorville Redevelopment Agency in meeting its inclusionary housing requirements, the Victorville Redevelopment Agency proposes to assist the financing of low-moderate income multi-family housing communities by offsetting the private development costs through its construction of public infrastructure. This assistance can also include the Victorville Redevelopment Agency constructing multi-family units for its ownership. Such assistance will include:

- Land Acquisition
- Environmental
- Public Utilities-Electric, Water, Natural Gas, Sewer, Storm Drains, Cable
- Public Streets- Bear Valley Road, Hook Road, Old Town and VVEDA Redevelopment Project Areas
- Street Lights
- Curb, Gutter and Sidewalk
- Civil Engineering

- Construction of 400 units at 100,000 per unit

Total Estimated Cost: \$7 Million

Northgate Village Apartments. Northgate Village Apartments is a 140-unit multi-family apartment community. The Victorville Redevelopment Agency is currently negotiating its sale to a non-profit housing management corporation. To do so, the Victorville Redevelopment Agency is being required to refinance a total subordinated debt. As a function of the Victorville Redevelopment Agency's efforts, affordable housing covenants will be recorded against the property for a term of 55-years. Those affordable housing covenants will benefit low-moderate income households.

Total Estimated Cost: \$6.2 Million

Single Family Public Infrastructure Improvements. To assist the Victorville Redevelopment Agency in meeting its inclusionary housing requirements, the Victorville Redevelopment Agency proposes to assist the financing of affordable single family housing units by offsetting the private development costs through its construction of public infrastructure. Such assistance will include:

- Land Acquisition
- Environmental
- Public Utilities-Electric, Water, Natural Gas, Sewer, Storm Drains, Cable
- Public Streets- Bear Valley Road, Hook Road, Old Town and VVEDA Redevelopment Project Areas
- Street Lights
- Curb, Gutter and Sidewalk
- Civil Engineering

Total Estimated Cost: \$2.5 Million

### SOURCES AND USES OF FUNDS

The estimated sources and uses of funds is summarized as follows:

#### Sources

Principal Amount of the Bonds	\$45,120,000.00
Less: Underwriter's Discount	(789,600.00)
Original Issue Discount	<u>(851,239.95)</u>
Total Sources	\$43,479,160.05

#### Uses

Capital Projects <sup>(1)</sup>	\$39,137,193.92
Reserve Account <sup>(2)</sup>	4,129,666.13
Expense Fund <sup>(3)</sup>	<u>212,300.00</u>
Total Uses	\$43,479,160.05

<sup>(1)</sup> An amount equal to \$13,673,982.80 will be used by the Authority to finance low and moderate income housing projects.

<sup>(2)</sup> An amount equal to the Reserve Account Requirement on the Bonds.

<sup>(3)</sup> Includes fees and expenses of Bond Counsel, Co-Disclosure Counsel, Trustee, Fiscal Consultant, costs of printing the official statement and other costs of issuance of the Bonds.

## THE BONDS

### Description of the Bonds

The Bonds authorized to be issued by the Authority under and subject to the terms of the Indenture and the Law shall be dated the date of their initial delivery, shall bear interest at the rates per annum set forth on the inside cover hereof and are payable on June 1 and December 1 in each year, commencing June 1, 2004 (each an "Interest Payment Date").

Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds shall be issued as fully registered notes in the denomination of \$5,000, or any integral thereof (not exceeding the principal amount of Bonds maturing at any one time). The Bonds shall be numbered as determined by the Trustee. The Bonds shall bear interest from the Interest Payment Date next preceding the date of registration thereof, unless such date of registration is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of registration is on or before the fifteenth day of the month next preceding the first Interest Payment Date, in which event they shall bear interest from their dated date; provided, however, that if, at the time of registration of any Bond, interest is then in default on the Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Bonds. Payment of interest on the Bonds due on or before the maturity or prior redemption of such Bonds shall be made to the person whose name appears on the bond registration books of the Trustee as the registered owner thereof, as of the close of business on the 15th day of the month next preceding the Interest Payment Date, such interest to be paid by check mailed on each Interest Payment Date by first-class mail to such registered owner at his address as it appears on such books, or, upon written request received by the Trustee prior to the fifteenth day of the month preceding an Interest Payment Date, of an Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account within the continental United States designated by such Owner.

Principal of and redemption premiums, if any, on the Bonds shall be payable upon the surrender thereof at maturity or the earlier redemption thereof at the Corporate Trust Office of the Trustee. Principal of and redemption premiums, if any, and interest on the Bonds shall be paid in lawful money of the United States of America.

### Redemption of Bonds

Optional Redemption. The Bonds shall be subject to redemption prior to maturity at the option of the Authority, on or after December 1, 2013, as a whole or in part on any date, from funds derived by the Authority from any source (notice of such redemption having been given by the Authority to the Trustee no later than sixty (60) days prior to the date of redemption) at the redemption price equal to the amount of the Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on December 1, 2013, December 1, 2023, December 1, 2026 and December 1, 2033 are subject to mandatory redemption, in part by lot, on December 1, 2007, December 1, 2019, December 1, 2024 and December 1, 2027 respectively, and on December 1 in each year thereafter at a redemption price equal to the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the redemption date, without premium, as set forth in the following tables:

Bonds Maturing December 1, 2013

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2007	\$710,000
2008	745,000
2009	780,000
2011	855,000
2012	895,000
2013 (maturity)	945,000

Bonds Maturing December 1, 2023

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2019	\$1,285,000
2020	1,360,000
2021	1,440,000
2022	1,535,000
2023 (maturity)	1,620,000

Bonds Maturing December 1, 2026

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2024	\$1,720,000
2025	1,825,000
2026 (maturity)	1,935,000

Bonds Maturing December 1, 2033

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2027	\$2,055,000
2028	2,180,000
2029	2,315,000
2030	2,465,000
2031	2,200,000
2032	3,810,000
2033 (maturity)	4,050,000

Selection of Bonds. Whenever less than all the Outstanding Bonds maturing on any one date are called for redemption at any one time, the Trustee shall select the Bonds to be redeemed, from the Outstanding Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee deems fair.

Purchase in Lieu of Redemption. In lieu of redemption of any Bond, amounts on deposit in the Special Fund may also be used and withdrawn by the Trustee at any time, upon the written request of the Authority, for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest



Account) as the Authority may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date; provided, however, that no Bonds shall be purchased by the Trustee with a settlement date more than ninety (90) days prior to the redemption date.

Notice of Redemption. Notice of redemption shall be mailed by first class mail by the Trustee, on behalf and at the expense of the Authority, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) one or more Information Services designated in writing to the Trustee by the Authority and (iii) the Securities Depositories. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of such Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to the Indenture to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

If at the time of mailing of any notice of redemption there shall not have been deposited with the Trustee monies sufficient to redeem all the Bonds called for redemption, such notice may (if requested by the Authority) state that it is subject to the deposit of the redemption monies with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such monies are so deposited.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of such redemption price of the Bonds so called for redemption has been duly provided, no interest will accrue on such Bonds from and after the redemption date specified in such notice.

### **Book-Entry Only System**

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants. See "**APPENDIX C - BOOK-ENTRY ONLY SYSTEM.**"

**Debt Service Schedule**

The table below provides a summary of the annual debt service payments with respect to the Bonds.

<u>Bond Year</u> <u>Ending December 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2004	\$720,000.00	\$2,720,443.70	\$3,440,443.70
2005	670,000.00	2,572,898.76	3,242,898.76
2006	690,000.00	2,556,148.76	3,246,148.76
2007	710,000.00	2,537,173.76	3,247,173.76
2008	745,000.00	2,501,673.76	3,246,673.76
2009	780,000.00	2,464,423.76	3,244,423.76
2010	820,000.00	2,425,423.76	3,245,423.76
2011	855,000.00	2,392,623.76	3,247,623.76
2012	895,000.00	2,349,873.76	3,244,873.76
2013	945,000.00	2,305,123.76	3,250,123.76
2014	990,000.00	2,257,873.76	3,247,873.76
2015	1,035,000.00	2,208,373.76	3,243,373.76
2016	1,095,000.00	2,154,553.76	3,249,553.76
2017	1,155,000.00	2,095,697.50	3,250,697.50
2018	1,220,000.00	2,031,017.50	3,251,017.50
2019	1,285,000.00	1,960,867.50	3,245,867.50
2020	1,360,000.00	1,883,767.50	3,243,767.50
2021	1,440,000.00	1,802,167.50	3,242,167.50
2022	1,535,000.00	1,715,767.50	3,250,767.50
2023	1,620,000.00	1,623,667.50	3,243,667.50
2024	1,720,000.00	1,526,467.50	3,246,467.50
2025	1,825,000.00	1,421,547.50	3,246,547.50
2026	1,935,000.00	1,310,222.50	3,245,222.50
2027	2,055,000.00	1,192,187.50	3,247,187.50
2028	2,180,000.00	1,063,750.00	3,243,750.00
2029	2,315,000.00	927,500.00	3,242,500.00
2030	2,465,000.00	782,812.50	3,247,812.50
2031	2,200,000.00	628,750.00	2,828,750.00
2032	3,810,000.00	491,250.00	4,301,250.00
2033	<u>4,050,000.00</u>	<u>253,125.00</u>	<u>4,303,125.00</u>
Total	<u>\$45,120,000.00</u>	<u>\$54,157,173.82</u>	<u>\$99,277,173.82</u>

**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

**General**

The Bonds are payable from and are specifically secured by a lien upon and an irrevocable pledge of the Pledged Tax Revenues and interest earnings on funds held by the Trustee on deposit in the Funds and Accounts under the Indenture.

The Authority has no power to levy and collect taxes, and any legislative property tax de-emphasis or provision of additional sources of income to taxing agencies having the effect of reducing the

property tax rate must necessarily reduce the amount of Pledged Tax Revenues that would otherwise be available to pay the principal of and interest on the Bonds. Likewise, broadened property tax exemptions could have a similar effect.

### **Tax Allocation Financing**

The Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies within the project area thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (except such portion generated by rates levied to pay bonded indebtedness approved by the voters on or after January 1, 1989, for the acquisition or improvement of real property) (herein, the "Tax Increment Revenues") are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the above-described allocation of taxes.

### **Allocation of Taxes**

As provided in the SCLAA JPA, all Tax Increment Revenues, sales tax revenues and other revenues generated from activities on SCLA are to be used solely for the purposes of the reuse, operation, provision of services and development of SCLA.

As provided in the Redevelopment Plan and pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, all taxes levied upon taxable property within the 1993 Project Area each year by or for the benefit of the State, the County, the VVEDA Members, any district or other public corporation (hereinafter called "taxing agencies") after the effective date of the ordinance of VVEDA approving the Redevelopment Plan, shall be divided as follows:

1. That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the 1993 Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency, last equalized prior to the effective date of such ordinance, shall be allocated to and when collected shall be paid to the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory in the 1993 Project Area on the effective date of such ordinance but to which such territory has been annexed or otherwise included after such effective date, the assessment roll of the County last equalized on the effective date of said ordinance shall be used in determining the assessed valuation of the taxable property in the 1993 Project Area on said effective date); and
2. That portion of said levied taxes each year in excess of such amount shall be allocated as follows:
  - (i) from each VVEDA Member's percentage share of the one percent (1%) tax rate as follows:

- (a) each VVEDA Member which is an incorporated city (the "City Member") shall have allocated as Tax Increment Revenues for VVEDA use, one hundred percent (100%) of its percentage share as well as a percentage share attributable to any municipally controlled special districts of such City Member, as the City Member may deem appropriate, in order that the total amount of the municipal share, when added with the percentage share of the municipally controlled districts of the City Member, equals 5.2935 percent of the one percent (1%) tax rate for property taxes generated upon the incremental assessed value of property located within the municipal boundaries of each City Member within the 1993 Project Area (such amounts constitute a portion of the amounts included in column number 6 of Tables 5b, 5c, 5d and 5e of the Fiscal Consultant's Report attached hereto as Appendix D);
- (b) the County on behalf of itself and any special districts governed by the Board of Supervisors shall also have allocated as Tax Increment Revenues for VVEDA use 5.2935 percent of the one percent (1%) tax rate for property taxes generated upon the incremental assessed value of property which is within (a) County unincorporated areas and (b) the municipally incorporated areas of the 1993 Project Area, which would otherwise be attributable to the County General Fund or any of the special districts governed by the County Board of Supervisors (such amounts constitute a portion of the amounts included in column number 6 of Table 5f of the Fiscal Consultant's Report attached hereto as Appendix D);
- (ii) with respect to the 1993 Project Area, VVEDA shall not have allocated as Tax Increment Revenues that portion of the percentage share of the one percent (1%) property tax rate attributable to the Apple Valley Fire Protection District, the Mojave Water Agency, the Baldy Mesa County Water District, the Mojave River County Water District, the Apple Valley Park District or the Hesperia Park District (such amounts constitute a portion of the amounts included in column number 6 of Tables 5b, 5c, 5d, 5e and 5f of the Fiscal Consultant's Report attached hereto as Appendix D) ; and
- (iii) from all other taxing agencies not otherwise specified in (i) or (ii) above, there shall be allocated as Tax Increment Revenues for VVEDA use, the total amount of property taxes generated in excess of the amount provided above.

Furthermore, VVEDA entered into pass-through agreements with the County Superintendent of Schools, Adelanto Elementary School District, Victorville Elementary School District, Oro Grande Elementary School District, Victor Valley High School District, Apple Valley Unified School District, Hesperia Unified School District and Victor Valley Community College District. Pursuant to these agreements, the County Superintendent receives 100% of its share of tax increment revenues, and all other districts receive 32.5% of their share of tax increment revenues. Such amounts constitute the remainder of the amounts included in column number 6 of Tables 5b, 5c, 5d, 5e and 5f of the Fiscal Consultant's Report attached hereto as Appendix D.

All taxes levied upon taxable property within the Added Area each year by or for the benefit of the State, the County, the VVEDA Members, any district, other public corporation or taxing agencies after the effective date of the ordinance of VVEDA approving the inclusion of the Added Area, shall be divided as follows:

1. That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the Added Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency, last equalized prior to the effective date of the ordinance, shall be allocated to and when collected shall be paid to the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory in the Added Area on the effective date of the ordinance but to which such territory has been annexed or otherwise included after such effective date, the assessment roll of the County last equalized on the effective date of the ordinance shall be used in determining the assessed valuation of the taxable property in the Added Area on said effective date).
2. That portion of said levied taxes each year in excess of such amount shall be allocated as follows:
  - (i) from each VVEDA Member's percentage share of the one percent (1%) tax rate as follows:
    - (a) each VVEDA Member which is a City Member shall have allocated as Tax Increment Revenues for VVEDA use, one hundred percent (100%) of its percentage share as well as a percentage share attributable to any municipally controlled special districts of such City Member, as the City Member may deem appropriate, in order that the total amount of the municipal share, when added with the percentage share of the municipally controlled districts of the City Member, equals 5.2935 percent of the one percent (1%) tax rate for property taxes generated upon the incremental assessed value of property located within the municipal boundaries of each City Member within the Added Area.

Pursuant to the VVEDA JPA, upon calculation and distribution of Tax Increment Revenues as provided above, the VVEDA Members' Tax Increment Revenues are divided and allocated as follows: First, twenty percent (20%) of the VVEDA Members Tax Increment Revenues will be set aside for low and moderate income housing purposes and will be allocated to each VVEDA Member for use by each VVEDA Member in its own portion of the VVEDA Project Area (such amounts are reflected in column number 5 of Tables 5b, 5c, 5d, 5e and 5f of the Fiscal Consultant's Report attached hereto as Appendix D).

With respect to the Original VVEDA Members, the remaining balance of VVEDA Members Tax Increment Revenues, after the twenty percent set aside amounts (the "Net Revenues"), forty percent (40%) of the Net Revenues attributable to any Original Member's territory, exclusive of the SCLA parcels, will be allocated for use in such Original Member's territory and forty percent (40%) attributable to such Original Member's territory will be allocated solely for use on the SCLA. The remaining balance equal to twenty percent (20%) of the Net Revenues attributable to each Original Member's portion of the VVEDA Project Area, exclusive of the SCLA parcels, will be placed into a separate reimbursement fund of VVEDA and will be paid out annually at the commencement of each fiscal year for eligible reimbursements to each VVEDA Member in proportion to the outstanding balance of any prior contributions (such amounts are reflected in column numbers 7, 8 and 9 of tables 5c, 5d, 5e and 5f of the Fiscal Consultant's Report attached hereto as Appendix D).

Upon full reimbursement to each Original Member of their contributions, the twenty percent (20%) portion of tax increment otherwise allocated for reimbursement will be split such that fifty percent

(50%) thereof will be allocated for use in each VVEDA Member's territory with the remaining fifty percent (50%) to be allocated solely for use on SCLA.

With respect to the portion of the VVEDA Project Area that lies within the boundaries of the City of Adelanto, (i) fifty percent (50%) of the Net Revenues attributable to such area shall be allocated for use solely on SCLA, (ii) twenty-five percent (25%) of such Net Revenues will be allocated for use in Adelanto's territory, and (iii) twenty-five percent (25%) shall be allocated to reimburse VVEDA for the administrative and start-up expenses and costs associated with the establishment of VVEDA and the 1993 Project Area until such time as said amount is paid in full, at which time said twenty-five percent (25%) portion will be allocated for use by Adelanto in its portion of the VVEDA Project Area.

All Pledged Tax Revenues from the VVEDA Project Area received by the Authority are required to be deposited in the Special Fund established under the Indenture.

### **Ground Lease**

Pursuant to the Ground Lease and Development Agreement, dated February 9, 2001 (the "Lease"), by and between the Authority and High Desert Power Trust, a Delaware business trust ("HDPT"), the Authority has leased a portion of the SCLA to HDPT for the purpose of constructing an electric generating power plant of approximately 750 megawatts (the "Facility"). Under the Lease, HDPT agreed that to the extent the Facility does not, for any reason whatsoever, generate and result in the receipt by VVEDA and/or the Authority of net tax increment revenues in a total amount equal to at least \$2,000,000 which revenues are net of any pass through amounts to other affected taxing entities, in any Lease Year (as defined in the Lease) after the third Lease Year, HDPT will, in each such Lease Year, in addition to the base rent thereunder, pay to the Authority an in lieu amount (the "Additional Rent") equal to the difference between the amount of tax increment revenues that VVEDA and/or the Authority has actually received in such Lease Year as tax increment revenues attributable to the Facility, exclusive of pass through payments to affected taxing entities, and \$2,000,000; provided, however, that the maximum amount of the additional rent in any given Lease Year payable by HDPT shall not exceed \$1,000,000. The term of the Lease is for fifty (50) years. Pursuant to a First Amendment to Estoppel, Nondisturbance and Attornment Agreement, dated as of April 26, 2001, all interest of HDPT in the Lease including its obligation to pay Additional Rent thereunder were assigned to High Desert Power Project, LLC, a California limited liability company ("HDPP"), a California limited liability company, which is an indirect wholly owned subsidiary of Constellation Energy Group, Inc. Such obligation of HDPP to pay Additional Rent is referred to herein as the "HDPP Guaranty." See "RISK FACTORS - HDPP Guaranty Unsecured Obligation" and "THE VVEDA PROJECT AREA - City of Victorville."

### **Pledged Tax Revenues**

The Bonds are secured by and payable from Pledged Tax Revenues, and moneys held from time to time in certain funds and accounts held under the Indenture.

Pledged Tax Revenues are defined in the Indenture to mean (1) on a parity basis with the Parity Bonds (A) all tax increment revenues generated on the parcels comprising SCLA pledged and annually allocated and paid to the Authority pursuant to the Redevelopment Plan and the SCLAA JPA, including all payments, subventions and reimbursements (if any) to the Authority specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the Authority in any Fiscal Year pursuant to Section 33334.3 of the Law, and (ii) amounts, if any, received by the Authority pursuant to Section 16111 of the Government Code, (B) all tax increment revenues pledged and annually allocated and paid to the Authority by the VVEDA Members from the VVEDA Project Area, exclusive of the parcels comprising SCLA, pursuant to the Redevelopment Plan and the VVEDA JPA,

including all payments, subventions and reimbursements (if any) to the VVEDA Members specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the VVEDA Members in any Fiscal Year pursuant to Section 33334.3 of the Law, and (ii) amounts, if any, received by the VVEDA Members pursuant to Section 16111 of the Government Code, (C) the HDPP Guaranty, and (D) the Victorville Pledge, and (2) to the extent proceeds of the Bonds are used for low and moderate housing programs, on a first lien basis, (A) such taxes required to be deposited for low and moderate income housing purposes by the Authority in any Fiscal Year pursuant to Section 33334.3 of the Law and (B) the Victorville Housing Pledge. Approximately 35% of the Bonds will be used to finance low and moderate income housing projects.

The City has pledged Net Revenues (as defined in the VVEDA JPA) attributable to its territory and allocable to the City pursuant to the VVEDA JPA. Such pledge is referred to herein as the "Victorville Pledge." The housing set-aside revenues attributable to its territory and allocable to the City pursuant to the VVEDA JPA have also been pledged and such pledge is referred to herein as the "Victorville Housing Pledge." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Allocation of Taxes" above.

### **Pass-Through Agreements**

Prior to 1994, under the Law, a redevelopment agency could enter into an agreement to pay Tax Increment Revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for a pass-through of Tax Increment Revenues directed to the affected taxing agency, and, therefore, are commonly referred to as "pass-through" agreements. See "APPENDIX D - REPORT OF FISCAL CONSULTANT" for a description of relevant Pass-Through Agreements.

### **Housing Set-Aside**

In accordance with Sections 33492.40(e) and 33334.2 of the Law, not less than twenty percent (20%) of all taxes which are allocated to VVEDA shall be deposited in a Low and Moderate Income Housing Fund to be used by VVEDA for the purposes of improving, increasing and preserving the community's supply of low and moderate income housing available within the territories of the VVEDA Members at affordable housing costs to persons and families of low or moderate income and very low income households, unless one or more of certain findings are made annually (the "Housing Set-Aside"). Such findings have not been made by VVEDA or the Authority. Funds available from the twenty percent (20%) requirement may be used outside a redevelopment project on a finding by the agency and the legislative body that such use will be of benefit to the project.

### **Reserve Account**

The Bonds are additionally secured by the Reserve Account established pursuant to the Indenture, to be maintained in the amount of the Reserve Account Requirement. The Reserve Account Requirement is defined as an amount, in respect of any Bond Year, equal to the least of (i) 10% of the aggregate original issue price of those series of Bonds any Bond of which is then secured by the Reserve Account, (ii) 125% of the average Annual Debt Service for that and every subsequent Bond Year, or (iii) the Maximum Annual Debt Service.

No deposit need be made in the Reserve Account so long as there is on deposit therein an amount equal to the Reserve Account Requirement. All money in (or available to) the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account in the event

of any deficiency at any time in such account, or for the purpose of paying the interest on the Bonds in the event that no other money of the Authority is lawfully available therefor, except that for so long as the Authority is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Account Requirement shall be transferred to the Interest Account. With regard to a draw on the Reserve Account, any available moneys on deposit in the Special Fund in an amount equal to the Reserve Account Deficiency (plus all interest which would have accrued on the amount of such Reserve Account Deficiency while on deposit in the Reserve Account) shall be transferred and used to replenish the Reserve Account.

The Reserve Account Requirement may be satisfied by crediting to the Reserve Account moneys or a Qualified Reserve Account Credit Instrument or any combination thereof, which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Account Requirement. Upon deposit of a Qualified Reserve Account Credit Instrument, the Trustee shall transfer the excess amounts then on deposit in the Reserve Account into a segregated account within the Special Fund, which monies shall be applied either (i) to the payment within one year of the date of transfer of capital expenditures of the Authority permitted by law, or (ii) to the redemption of Bonds on the earliest succeeding date on which such redemption is permitted hereby, and pending either such application shall be held either not invested in investment property (as defined in section 148(b) of the Code), or invested in such property to produce a yield that is not in excess of the yield on the Bonds; *provided, however*, that the Authority may by written direction to the Trustee cause an alternative use of such amounts if the Authority shall first have obtained a written opinion of nationally recognized bond counsel substantially to the effect that such alternative use will not adversely affect the exclusion pursuant to section 103 of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In any case where the Reserve Account is funded with a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Account Credit Instrument. With regard to a draw on the Qualified Reserve Account Credit Instrument, any available moneys on deposit in the Special Fund in an amount equal to the Reserve Account Deficiency attributable to the Special Fund (plus all interest which would have accrued on the amount of such Reserve Account Deficiency while on deposit in the Reserve Account) shall be used first to reinstate any Qualified Reserve Account Credit Instruments, and second, to replenish the cash in the Reserve Account. In the event the Qualified Reserve Account Credit Instrument will lapse or expire, the Trustee shall draw upon such Qualified Reserve Account Credit Instrument prior to its lapsing or expiring, and the Trustee shall draw upon that portion of any available moneys on deposit in the Special Fund in an amount equal the Reserve Account Deficiency attributable to the Special Fund (plus all interest which would have accrued on the amount of the Reserve Account Deficiency while on deposit in the Reserve Account) and deposit such amount into the Reserve Account until the aggregate amount on deposit therein is equal to the Reserve Account Requirement, or the Trustee shall substitute such Qualified Reserve Account Credit Instrument with a Qualified Reserve Account Credit Instrument that satisfies the requirements of the Indenture.

### **Parity Debt**

The Authority may at any time after the issuance and delivery of the initial Series of Bonds issue Additional Obligations payable from the Pledged Tax Revenues and secured by a lien and charge upon the Pledged Tax Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the Indenture, but only subject to the following specific conditions, which are conditions precedent to the issuance of any such Additional Obligations under the Indenture:



- a. The Authority shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indentures, and a Certificate of the Authority to that effect shall have been filed with the Trustee.
- b. The issuance of such Additional Obligations shall have been duly authorized pursuant to the Law and all applicable laws, and the issuance of such Additional Obligations shall have been provided for by a Supplemental Indenture duly adopted by the Authority which shall specify the following:
  - (1) The purpose for which such Additional Obligations are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Additional Obligations to be applied solely for (i) the purpose of aiding in financing the Redevelopment Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds or other indebtedness related to the Redevelopment Project, including payment of all costs incidental to or connected with such refunding;
  - (2) The authorized principal amount of such Additional Obligations;
  - (3) The date and the maturity date or dates of such Additional Obligations; provided that (i) Principal Payment Dates may occur only on Interest Payment Dates and (ii) all such Additional Obligations of like maturity shall be identical in all respects, except as to number;
  - (4) The Interest Payment Dates, which shall be the same semiannual dates as the Interest Payment Dates for the Bonds; provided, that such Additional Obligations may provide for compounding of interest in lieu of payment of interest on such dates;
  - (5) The denomination and method of numbering of such Additional Obligations;
  - (6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Obligations;
  - (7) The amount, if any, to be deposited from the proceeds of such Additional Obligations in the Interest Account;
  - (8) The amount, if any, to be deposited from the proceeds of such Additional Obligations into the Reserve Account; provided that the amount on deposit in the Reserve Account shall be increased at or prior to the time such Additional Obligations become Outstanding to an amount at least equal to the Reserve Account Requirement on all then Outstanding Bonds and such Additional Obligations, which amount shall be maintained in the Reserve Account;
  - (9) The form of such Additional Obligations; and
  - (10) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.
- c. The Pledged Tax Revenues based upon the assessed valuation of taxable property in the VVEDA Project Area as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Authority's adoption of the Supplemental Indenture providing for the issuance of such Additional Obligations, plus at the option of the Authority the Additional Revenues, shall be in an amount equal to at least 125% of the Maximum Annual Debt Service and maximum annual debt service on any unsubordinated loans, advances or indebtedness payable from Pledged Tax Revenues

pursuant to the Law, for the Bond Year ending on the December 1 next following the date of issuance of such Additional Obligations, as evidenced by a Consultant's Report.

In the event such Additional Obligations are to be issued solely for the purpose of refunding and retiring any Outstanding Bonds, interest and principal payments on the Outstanding Bonds to be so refunded and retired from the proceeds of such Additional Obligations being issued shall be excluded from the foregoing computation of Annual Debt Service. Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds or other indebtedness of the Authority payable from the Pledged Tax Revenues and secured by a lien and charge on the Pledged Tax Revenues if, after the issuance and delivery of such tax allocation bonds or other indebtedness, none of the Bonds theretofore issued under the Indenture will be Outstanding nor shall anything contained in the Indenture prohibit the issuance of any tax allocation bonds or other indebtedness by the Authority secured by a pledge of Tax Increment Revenues (including Pledged Tax Revenues) subordinate to the pledge of Pledged Tax Revenues securing the Bonds.

## **PLEDGED TAX REVENUES**

### **Assessed Valuations and Tax Increment Revenues**

The following table presents historical assessed values and actual tax increment receipts for fiscal years shown. The assessed valuations for fiscal year 1999-2000 are not included because the published values were modified extensively during the course of such fiscal year and the revised figures were never published. The actual revenues collected for 1999-2000 are shown. Fiscal Year 2001-02 is the first year the Added Area (additional territory within the cities of Adelanto and Victorville and unincorporated areas of the County of San Bernardino which were added to the 1993 Project Area in 2000) is eligible to receive tax increment revenues. However, no tax increment revenues are projected from the Added Area as the base year exceeds the 2001-02 year values. See "APPENDIX D - REPORT OF FISCAL CONSULTANT."

**VVEDA PROJECT AREA  
HISTORICAL ASSESSED VALUATIONS**

	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>
Local Secured	n/a	\$1,713,326.715	\$1,783,034.757	\$1,896,159.721	\$2,564,103.100
Secured Utility	n/a	2,619,199	2,670,419	2,634,592	-
Unsecured	n/a	<u>106,265,850</u>	<u>113,281,930</u>	<u>264,645,977</u>	<u>100,479,300</u>
Total	n/a	\$1,822,211,764	\$1,898,987,106	\$2,163,440,290	\$2,664,582,400
Less: Base Year (1997/98)		<u>(1,783,847,892)</u>	<u>(1,811,002,272)</u>	<u>(1,811,002,272)</u>	<u>(1,808,681,972)</u>
Incremental Value	n/a	\$38,363.872	\$87,984.834	\$352,438.018	\$855,900.428
Estimated Increment @ 1%	n/a	\$383,639	\$879,848	\$3,524,380	\$8,559,004
Actual Allocation Per County	\$240.832	\$513.824	\$1,108.971	\$2,597.828	n/a
Actual Revenue Received	\$157.956	\$672.207	\$1,272.607	\$3,139.285	n/a
 <i>Distribution of Revenue Received</i>					
<i>Member Jurisdictions</i>					
Low Mod Housing Fund	\$48,166	\$102,765	\$221,794	\$519,566	n/a
SCLA	51,192	110,079	234,068	806,653	n/a
Victorville	-	28,493	85,784	215,164	n/a
Apple Valley	-	4,185	42,013	90,327	n/a
Hesperia	7,210	14,660	26,424	41,935	n/a
County	43,982	59,736	79,846	37,127	n/a
Prior Contribution Fund	<u>25,597</u>	<u>53,537</u>	<u>117,034</u>	<u>192,277</u>	n/a
Total	\$176,147	\$373,455	\$806,963	\$1,903,049	
<i>Pass Throughs to Affected Districts</i>	\$64,685	\$140,369	\$302,008	\$694,779	

Source: Fiscal Consultant.

**Projected Pledged Tax Revenues and Debt Service Coverage**

The Authority's fiscal consultant prepared the projections of Pledged Tax Revenues as set forth in "TABLE 5a" of the Fiscal Consultant's Report, assuming an assessed valuation growth rate of 2%, and representing the 2% annual inflation increase allowable under Proposition 13. The tax rate for the VVEDA Project Area is assumed to be 1% for Fiscal Year 2001-02, and is assumed to be 1% thereafter. See "APPENDIX D - REPORT OF FISCAL CONSULTANT" for more detailed information.

The table set forth below contains forward-looking statements, as such term is defined in the Securities Act of 1933, as amended, and reflects certain significant assumptions concerning future events and circumstances. While the estimate of these future revenues is based on assumptions which the Authority believes to be reasonable, there can be no assurance that the projections will be realized.

**PROJECTED COVERAGE RATIO**

<u>Bond Year</u> <u>(December 1)</u>	<u>(Non-Housing)</u> <u>Pledged Tax</u> <u>Revenues</u>	<u>Parity Bonds</u> <u>Debt Service</u>	<u>Non-Housing</u> <u>Bonds</u> <u>Debt Service</u> <sup>(1)</sup>	<u>Total Non-</u> <u>Housing Bonds</u> <u>Debt Service</u>	<u>Coverage</u>	<u>(Housing)</u> <u>Pledge Tax</u> <u>Revenues</u>	<u>Housing</u> <u>Bonds</u> <u>Debt Service</u> <sup>(2)</sup>	<u>Coverage</u>
2004	\$4,148,589	\$858,600	\$2,295,889	\$3,154,489	1.32	\$1,510,697	\$1,144,554	1.32
2005	4,356,098	1,053,600	2,098,436	3,152,036	1.38	1,587,866	1,144,463	1.39
2006	4,567,758	1,053,119	2,102,811	3,155,930	1.45	1,666,579	1,143,338	1.46
2007	4,783,650	1,052,100	2,100,711	3,152,811	1.52	1,746,867	1,146,463	1.52
2008	5,003,861	1,050,544	2,103,211	3,153,755	1.59	1,828,760	1,143,463	1.60
2009	5,228,475	1,053,450	2,099,461	3,152,911	1.66	1,912,290	1,144,963	1.67
2010	5,698,746	1,055,250	2,099,711	3,154,961	1.81	1,997,492	1,145,713	1.74
2011	6,321,082	1,051,225	2,103,911	3,155,136	2.00	2,084,397	1,143,713	1.82
2012	6,602,959	1,051,650	2,101,661	3,153,311	2.09	2,173,041	1,143,213	1.90
2013	6,890,474	1,051,250	2,103,161	3,154,411	2.18	2,263,458	1,146,963	1.97
2014	7,183,740	1,050,025	2,103,161	3,153,186	2.28	2,355,682	1,144,713	2.06
2015	7,482,871	1,054,875	2,096,661	3,151,536	2.37	2,449,752	1,146,713	2.14
2016	7,787,984	1,053,100	2,102,601	3,155,701	2.47	2,545,703	1,146,953	2.22
2017	8,099,200	1,050,025	2,105,245	3,155,270	2.57	2,643,572	1,145,453	2.31
2018	8,416,640	1,050,650	2,104,085	3,154,735	2.67	2,743,399	1,146,933	2.39
2019	8,740,429	1,054,650	2,099,523	3,154,173	2.77	2,845,223	1,146,345	2.48
2020	9,070,694	1,051,700	2,100,623	3,152,323	2.88	2,949,083	1,143,145	2.58
2021	9,407,563	1,052,125	2,098,723	3,150,848	2.99	3,055,021	1,143,445	2.67
2022	9,751,171	1,050,600	2,103,823	3,154,423	3.09	3,163,077	1,146,945	2.76
2023	10,101,650	1,052,125	2,100,323	3,152,448	3.20	3,273,294	1,143,345	2.86
2024	10,459,139	1,051,375	2,103,523	3,154,898	3.32	3,385,715	1,142,945	2.96
2025	10,823,778	1,053,350	2,101,728	3,155,078	3.43	3,500,385	1,144,820	3.06
2026	11,195,710	1,052,725	2,100,968	3,153,693	3.55	3,617,349	1,144,255	3.16
2027	11,575,080	1,054,500	2,100,938	3,155,438	3.67	3,736,651	1,146,250	3.26
2028	11,962,038	1,053,350	2,099,375	3,152,725	3.79	3,858,340	1,144,375	3.37
2029	12,356,734	1,054,275	2,097,813	3,152,088	3.92	3,982,463	1,144,688	3.48
2030	12,759,325	1,051,950	2,100,938	3,152,888	4.05	4,109,068	1,146,875	3.58
2031	13,169,968	2,316,375	1,683,125	3,999,500	3.29	4,238,205	1,145,625	3.70
2032	13,588,823		3,155,313	3,155,313	4.31	4,369,924	1,145,938	3.81
2033	14,016,056		3,155,625	3,155,625	4.44	4,504,279	1,147,500	3.93

(1) Represents debt service on portion of the Bonds used for non-housing projects.

(2) Represents debt service on portion of the Bond used for low and moderate income housing projects.

## Largest Property Taxpayers

Set forth in the following table are the largest secured taxpayers (including utility) within the VVEDA Project Area expressed as a percentage of the total secured assessed value of all taxable property within the VVEDA Project Area for Fiscal Year 2003-04. The largest secured property taxpayers represent 27.8% of the Fiscal Year 2003-04 secured assessed value of all taxable property within the VVEDA Project Area.

### VVEDA PROJECT AREA LARGEST 2003-04 SECURED TAXPAYERS

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2003-04 Assessed Valuation</u>	<u>% of Total<sup>(1)</sup></u>
1.	High Desert Power Trust 2000-A	Power Plant	\$473,400,000	18.63%
2.	Riverside Cement Co.	Industrial – Mining	52,344,018	2.53
3.	Cemex Inc.	Industrial – Mining	34,805,084	1.68
4.	Apple Valley Ranchos Water Co.	Water Facilities	23,728,353	1.15
5.	Lowe’s HIW Inc.	Commercial Store	15,025,997	0.73
6.	Southwestern Portland Cement Co.	Industrial – Mining	11,673,558	0.57
7.	Bear Valley Partners	Commercial Properties	9,932,314	0.48
8.	CWS Communities LP	Mobile Home Park	8,432,087	0.41
9.	NHPAHP Kimberly Park LP	Apartments	7,618,583	0.37
10.	Glen L. and Pearle A. Ludwig, Trust	Mobile Home Park	7,498,463	0.36
11.	Victorville 400 Partners Limited	Apartments	7,316,259	0.35
12.	Victorville 200 Ltd.	Apartments	6,885,624	0.33
13.	American Stores Properties Inc.	Commercial Store	6,741,934	0.33
14.	State Street Bank and Trust Co.	Commercial Store	6,737,899	0.33
15.	Wal-Mart Real Estate Business Trust	Commercial Store	6,731,159	0.33
16.	Commercial Net Lease Realty Inc.	Commercial Store	6,431,369	0.31
17.	Hotel Victorville	Hotel	6,200,000	0.30
18.	L and S Investment Co.	Hotel	5,077,503	0.25
19.	Sumiden Wire Products	Light Industrial	5,000,965	0.24
20.	Prime A Investments LLC	Vacant	<u>4,955,803</u>	<u>0.24</u>
			<u>\$706,536,972</u>	<u>27.80%</u>

<sup>(1)</sup> 2003-04 Total Secured Assessed Valuation: \$2,541,480,022.  
Source: California Municipal Statistics, Inc.

## Tax Sharing Statutes

Certain provisions were added to the Law by the adoption of AB 1290 in 1994. All affected taxing entities in the VVEDA Project Area must share in the Tax Increment Revenues generated by growth in the Project Area pursuant to a statutory formula (“Statutory Tax Sharing”). However, the Tax Increment Revenues allocated to the Authority from activity at SCLA are exempt from Statutory Tax Sharing since the Redevelopment Plan was adopted prior to January 1, 1994 and incorporated SCLA into the VVEDA Project Area. However, Section 33607.5 of the Law requires Statutory Tax Sharing with respect to Tax Increment Revenues generated in territory added to the VVEDA Project Area by amendments to the Redevelopment Plan subsequent to January 1, 1994. Consequently, Statutory Tax Sharing will affect the Tax Increment Revenues allocated to the Authority by VVEDA Members which added territory to the VVEDA Project Area after the original adoption of the Plan, such as the 14,760 acres added by the Fourth Amendment to the Plan in 2000.

The relevant portions of the Statutory Tax Sharing formula are:

- (a) Commencing in the first fiscal year after the limitation has been reached, an amount equal to 25% of Tax Increment Revenues generated by the incremental increase of the current year assessed valuation in the fiscal year that the limitation had been reached, after the amount required to be deposited in the applicable Housing Fund has been deducted;
- (b) in addition to amounts payable as described in (a) above, commencing in the 11th fiscal year after the limitation has been reached, an amount equal to 21% of Tax Increment Revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding (10th) fiscal year that the limitation had been reached, after the amount required to be deposited in the applicable Housing Fund has been deducted; and
- (c) in addition to amounts payable as described in (a) and (b) above, commencing in the 31st fiscal year after the limitation has been reached, an amount equal to 14% of Tax Increment Revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding (30th) fiscal year that the limitation had been reached, after the amount required to be deposited in the applicable Housing Fund has been deducted.

### **Filing of Statement of Indebtedness**

Section 33675 of the Law requires that the Authority file with the county auditor, not later than the first day of October of each year, a statement of indebtedness certified by the chief financial officer of the Authority for each redevelopment project for which the redevelopment plan provides for the division of taxes pursuant to Section 33670 of the Law. The statement of indebtedness is required to contain, among other things, the date on which the bonds were delivered, the principal amount, term, purpose, interest rate and total interest of the bonds, the principal amount and the interest due in the fiscal year in which the statement of indebtedness is filed and the outstanding balance and amount due on the bonds. Similar information must be given for each loan, advance or indebtedness that the Authority has incurred or entered into which is payable from Tax Increment Revenues.

Section 33675(g) provides that payments of Tax Increment Revenues from the county auditor to a redevelopment agency may not exceed the redevelopment agency's aggregate total outstanding debt service obligations minus the available revenues of the redevelopment agency, and establishes certain procedures under which a county auditor may, in certain cases, dispute the amount of indebtedness shown on the statement of indebtedness. Payments to a trustee under a bond resolution or indenture or payments to a public agency in connection with payments by such public agency pursuant to a bond issue may not be disputed in any action under Section 33675.

## **THE VVEDA PROJECT AREA**

### **1993 Victor Valley Redevelopment Project Area**

The Redevelopment Plan for the 1993 Project Area located in the County was adopted on December 28, 1993, by Ordinance No. 2. The 1993 Project Area, which has been amended as described below, encompasses land area that falls within the jurisdictions of the Cities of Adelanto, Hesperia and Victorville, the Town of Apple Valley, and land area which is unincorporated and falls under the jurisdiction of the County. The VVEDA Project Area (comprising of the 1993 Project Area and certain added property described below) encompasses lands located within the VVEDA Member boundaries that

are generally contiguous with SCLA and are not part of an existing redevelopment project area. The properties within the VVEDA Project Area are immediately adjacent to or in proximity of SCLA and contain deteriorated properties, inadequate infrastructure and blighted conditions that require the powers of a redevelopment agency to solve, or are required to effectively develop the VVEDA Project Area.

The original Redevelopment Plan for the 1993 Victor Valley Redevelopment Project was amended on December 28, 1994 by Ordinance No. 4 to allow VVEDA to collect Tax Increment Revenues for up to forty-five years following the adoption date of the Redevelopment Plan. The Redevelopment Plan was amended again on June 11, 1997 by Ordinance No. 5 to implement special legislation which was subsequently updated by new special legislation that changed the base year to 1997-98. The 1998 Amendment to the Redevelopment Plan amended the Redevelopment Plan on April 22, 1998 by Ordinance No. 7 and allowed for the power of eminent domain in certain primarily nonresidential areas within portions of the VVEDA Project Area, which were located within the jurisdiction of the Town of Apple Valley and the County unincorporated area. The Fourth Amendment amended the Plan on July 12, 2000 and added approximately 15,705 acres (excluding public rights-of-way) in the Cities of Adelanto and Victorville and the County to the original 44,813 acres for a total of 60,518 acres. The area added by the Fourth Amendment to the Plan lies "in proximity to" (within eight miles of) SCLA as required by Section 33492.40(i) of the Law.

### **Southern California Logistics Airport**

SCLA encompasses the former George Air Force Base ("GAFB"), closed by the Federal government in 1992. In response to the announced closure of GAFB, several local communities adjacent and in close proximity to GAFB formed VVEDA in September, 1989 to spearhead the redevelopment and utilization of GAFB after its closure in a manner that would attract business, create jobs and improve the quality of life for citizens of the Victor Valley. In 1993, VVEDA adopted the Victor Valley Redevelopment Project (the "Redevelopment Project") which covered a large area of the Victor Valley, including GAFB. The purpose of the Redevelopment Project was to provide the mechanism and funding to facilitate reuse of GAFB through conversion of GAFB into a civilian airport initially referred to as the "Southern California International Airport," later renamed "Southern California Logistics Airport."

VVEDA executed lease agreements and related documents with the United States Air Force pursuant to which the Air Force agreed to transfer fee title to VVEDA upon a determination that either (i) all contaminated parcels subject to the transfer were deemed environmentally clean or (ii) mitigation measures were in place sufficient to ensure that all remaining contaminated land parcels would be cleaned up. The first transaction involved a no cost Public Benefit Transfer which covered the aviation related portions of GAFB and comprised approximately 2,000 acres. The second transaction involved an Economic Development Conveyance, also covering approximately 2,000 acres, whereby the Authority agreed to pay a total amount of \$1,673,665 on a per square foot basis as it seeks to take down parcels. The Authority anticipates using a portion of the land sales proceeds from such parcels to satisfy this payment obligation. VVEDA subsequently delegated all decision making authority with respect to GAFB to the Authority pursuant to the VVEDA JPA, including the authority to enter into lease transactions, the authority to issue bonds and notes secured by Tax Increment Revenues both generated by activity at SCLA and allocated to SCLA by VVEDA Members. The Authority also assumed all of VVEDA's obligations with respect to the Prior Notes pursuant to the VVEDA JPA.

The City caused the preparation and adoption of a Specific Plan to redevelop SCLA which has been determined to be in conformity with the Redevelopment Plan. In addition, a Master Development Plan was adopted by the Authority, which contemplates the development of SCLA as a cargo and aircraft maintenance facility as well as a business and industrial center. The goals of this Master Development Plan include the creation of jobs and other economic development opportunities to sustain and improve economic conditions at SCLA and in the Victor Valley, and the development of air cargo and aircraft

maintenance uses as well as the establishment of an industrial and commercial center at SCLA. As the second international cargo gateway in Southern California (in addition to LAX), SCLA will relieve the region's increasing demand for international cargo operations, forecasted to grow from 3 to 9 million tons annually over the next 20 years.

**Site Description.** The SCLA site is a former military aviation facility approximately 5,350 acres in area located within the City and immediately to the east of the City of Adelanto in the County. The SCLA site has an identified Installation Restoration Program (IRP) to clean up identified toxic and hazardous waste materials which were associated with the Federal Government's use of the property. While the SCLA site is located on a slight ridge sloping toward the north and northeast, half of the SCLA site is virtually flat (less than two percent slope), making this area suitable for aircraft runways. The highest elevation within the project is 2,920 feet mean sea level (MSL) at the southwestern corner of the SCLA site, south of Air Base Road, and the lowest elevation is 2,650 feet MSL at the northeastern corner of the SCLA site. Adjacent to the Mojave River, along the eastern side of the SCLA site, there are scattered areas (totaling about 100 acres) of slopes greater than 25 percent.

The SCLA complex includes a 1,500 acre aircraft maintenance complex, a container freight station/bonded warehouse with refrigeration storage facilities, a 9,500 foot and a 13,500 foot runway, with one runway currently being extended to 15,000 feet. SCLA is located near Interstate 15 in the Victor Valley, approximately 50 miles northeast of Los Angeles County and 40 minutes north of Ontario Airport. There are major trucking and rail routes through the Victor Valley, providing access to major Western states and Mexico markets within 12 hours. It is also in close proximity to the BNSF and Santa Fe rail

The vacant properties within the VVEDA Project Area contain areas of natural habitat, particularly along the Mojave River and safety easements. No known plants in the area are considered rare or endangered. Animal life within the area is typical of the Mojave Desert and may include several species such as the Desert Tortoise (which has been identified on over 700 acres of the site) which are considered threatened or endangered under Federal or State guidelines. The historic range of the Mojave Ground Squirrel (MGS) has, at various times, been designated to include this area. The MGS was rejected for federal listing and its status in the State is under review for deletion.

The area immediately surrounding GAFB has, as with much of the Victor Valley, undergone rapid urban growth through the 1980s. Growth near GAFB was primarily associated with residential development. The primary soil type in the project area is alluvium consisting of loosely consolidated earth materials eroded from neighboring mountains. The erosion hazard of these soils is considered to be moderate to high from wind, and slight from water. As with most of California, the VVEDA Project Area is within a seismically active area; however, there are no known faults in the immediate Project Area. The nearest known faults are the Garlock, San Andreas and Helendale. The Helendale Fault is approximately 10 miles east of GAFB.

Surface water within the SCLA site is limited to the Mojave River and its tributaries. Although the Mojave River Basin drains approximately 4,700 square miles, the year round flow is restricted by the alluvial surface soils over and under which the river flows and by the limited rainfall in the area. Flooding has occurred along the Mojave River, but has been curtailed by the construction of the Mojave Forks Dam in the 1970s. The majority of drinking water in the area is drawn from the Upper Mojave River Basin Aquifer. This aquifer is in an overdraft situation which is forecast to continue regardless of the land use established on this property.

The project site is located in the Mojave Desert Air Basin. This air basin is characterized by very hot summers (up to 120 degrees Fahrenheit), mild winters (32 to 62 degree Fahrenheit average range), limited rainfall, low humidity and occasional snowfall and wind storms. The Mojave Desert Air Quality



Management District (MDAQMD) is the agency responsible for monitoring air quality and enforcing ambient air quality standards in the VVEDA Project Area. Based upon data included in the 1989 San Bernardino County General Plan EIR and the 1991 Air Quality Attainment Plan (AQAP), the air quality is generally good with occasional exceedances in ozone, total suspended particulates, and particulates smaller than 10 microns in size (PM<sub>10</sub>). Based upon this information, the area has been designated as a non-attainment area (Severe-17) for ozone and unclassified for PM<sub>10</sub> by the Federal Environmental Protection Agency (EPA), and as a moderate non-attainment district for ozone by the California Air Resources Board.

**City of Victorville**

*The following are brief descriptions of various residential and commercial developments within the City, where a large portion, but not all, of that development activity is located in the VVEDA Project Area. Such developments outside of the VVEDA Project Area will not have a direct positive impact on assessed values within the VVEDA Project Area and consequently on Pledged Tax Revenues.*

Construction Activity

The largest portion of urbanized area situated within the VVEDA Project Area is located in the City. The level of construction activity has consistently increased over the last six calendar years. The figures detailed in 2003 represent mid-year statistics and suggest that 2003 will exceed the levels reached for 2002. In general, the level of activity has been fueled because of (1) favorable interest rates being made available to finance the purchase of new homes, (2) the refinancing opportunities for individuals resulting in greater level of discretionary income, and (3) an increased number of local manufacturing and distribution jobs.

<b>Total New Construction Activity</b>		
Year	Permits Issued	Value
1993	812	\$88,162,747
1994	555	60,308,373
1995	303	34,538,740
1996	341	39,508,535
1997	179	22,316,955
1998	197	28,235,607
1999	329	47,838,071
2000	372	78,964,622
2001	661	130,036,226
2002	1,017	205,211,306
2003*	1,155	198,940,020
<b>TOTAL</b>	<b>5,921</b>	<b>\$934,061,202</b>
* Denotes figure calculated from January 2003 through July 2003. Does not include the high desert power plant, whose permit was issued by the State with a value of approximately \$450 million. Source: City of Victorville Dept. of Building and Safety		

Residential construction has seen the largest increase in valuation. Since 1993, a total of 5,713 residential building permits were issued. The total valuation of new residential units constructed in the City was \$773,530,237.

<b>Total Residential Construction Activity</b>		
Year	Permits Issued	Value
1993	804	\$78,804,823
1994	534	52,095,333
1995	289	30,075,924
1996	327	32,953,011
1997	152	15,360,636
1998	176	21,725,896
1999	315	38,061,018
2000	345	44,417,533
2001	641	102,732,467
2002	986	162,736,629
2003*	1,144	194,567,237
<b>TOTAL</b>	<b>5,713</b>	<b>\$773,530,507</b>
* Denotes figure calculated from January 2003 through July 2003		

Commercial construction activity nearly quadrupled in 2002 over the values achieved during 1993. The total construction activity in 2002 increased by 354% or 35% annually over the last 10 reportable years. Included in the commercial construction classification among others, are retail/office and industrial facilities where products are not fabricated. Not included in the commercial classification is the construction of the High Desert Power Plant. High Desert Power Plant commenced construction at the SCLA in 2001 and was completed in April 2003. The total project value of High Desert Power Plant is estimated at over \$450 million.

<b>Total Commercial Construction Activity</b>		
Year	Permits Issued	Value
1993	8	\$9,357,924
1994	21	8,213,040
1995	14	4,462,816
1996	14	6,555,524
1997	27	6,956,319
1998	21	6,509,711
1999	14	9,777,053
2000	27	34,547,089
2001	20	27,303,759
2002	31	42,474,677
2003*	11	4,372,783
<b>TOTAL</b>	<b>208</b>	<b>\$160,530,695</b>
* Denotes figure calculated from January 2003 through July 2003. Does not include the high desert power plant, whose permit was issued by the State with a value of approximately \$450 million.		

### Residential Activity

Within the past three years, single family residential activity within the City's portion of the VVEDA Project Area has increased significantly, with the Village, West City, West Bear Valley and Baldy Mesa Planning Areas experiencing the most growth.

*Village Planning Area.* The Village Planning Area encompasses 2,758 acres located north of Mojave Drive, south of Rancho Road, east of El Evado Road and west of Interstate 15 and National Trails Highway. The land use program for the Village Planning Area provides for 2,601 acres of very low to high density residential construction. At maximum density and upon total build out, the development program contemplates up to 14,330 dwelling units. Since July 2000, 2,007 single family units and 422 acres have been approved for development.

*West City Planning Area.* The West City Planning Area encompasses 5,489 acres located north of Palmdale Road, south of Rancho Road, east of US Highway 395 and west of El Evado Road. The land use program for the West City Planning Area provides for 2,555 acres of very low to high density residential construction. At maximum density and upon total build out, the development program contemplates up to 15,984 dwelling units upon total build out. Since July 2002, 1,473 single family units and 378 acres have been approved for development.

Located within the West City Planning Area, the Brentwood Specific Plan Area has experienced notable growth throughout the last year. The Brentwood Specific Plan Area encompasses 641 acres located north of Seneca Road, south of Mojave Drive, east of El Evado Road, and west of Amethyst Road. The land use program for Brentwood provides for 453 acres of low to high-density residential construction. The development program contemplates 3,046 units upon total build out. Of the 1,473 units approved within the West City Planning Area since July 2002, 728 units and 169 acres have been approved for development within the Brentwood Specific Plan Area.

*West Bear Valley Planning Area.* The West Bear Valley Planning Area encompasses 5,757 acres located north of Bear Valley Road, south of Palmdale, east of US Highway 395 and west of Interstate 15 and Amargosa Road. The land use program for the West Bear Valley Planning Area provides for 3,697 acres of very low to high density residential construction. At maximum density and upon total build out, the development program contemplates up to 15,523 dwelling units upon total build out. Since July 2000, 1,261 single family units and 292 acres have been approved for development.

*Baldy Mesa Planning Area.* The Baldy Mesa Planning Area encompasses 12,700 acres located west of US Highway 395 and south of Palmdale Road. The land use program for the Village Planning Area provides for 11,032 acres of very low to high density residential construction. At maximum density and upon total build out, the development program contemplates up to 38,031 dwelling units. Since July 2000, 1,003 units and 234 acres have been approved for development.

The above-listed activity totals 5,744 single family units and 1,326 acres approved for development since July 2000, which leaves 18,556 acres of future development consisting of 78,124 single family units. In addition, 1,234 single family units and 303 acres have been approved for development outside of those planning areas during the same time period. Combined, there are currently 6,978 single family units and 1,629 acres approved for development within Victorville's portion of the VVEDA Project Area.

### Commercial Activity

Over the term of the Redevelopment Plan, the City's development focus has been on redeveloping the former George Air Force Base into the world's premier fully dedicated logistics and business park. A total of 5,000-acres are located at SCLA where the development master plan proposes the integration of air cargo transportation with rail, ground and seaport access. Occupying existing facilities at SCLA are approximately 40 new businesses employing an estimated 1,500 employees.

In February 2001, the Authority executed a Ground Lease and Development Agreement with the HDPT, a consortium of banks providing initial financing for the project, to lease a portion of vacant land

and to construct a 750-megawatt electric generating power plant . The ground lease term is scheduled for 50 years and generates \$75,000 in annual lease payments (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Ground Lease" for description of the Ground Lease). The project began construction in April of 2001 and was completed in April 2003. The project was developed and is being managed by HDPP, an indirect wholly owned subsidiary of Constellation Energy Group, Inc. (NYSE: CEG). Constellation Energy Group, Inc. is a holding company whose subsidiaries include energy-related business focused on wholesale power marketing, generation, and portfolio management, plus Baltimore Gas and Electric Company, which serves more than 1.1 million electric customers and 590,000 natural gas customers in Central Maryland. Constellation has entered into a 7 year 9 month contract with the California Department of Water Resources ("DWR") which became effective in April of 2003. Under the contract, DWR is obligated to pay a fixed capacity payment of \$12,000,000 per month for the right to purchase power as needed. This payment covers the fixed costs associated with the construction and operation of the plant. For the variable costs associated with the power purchased, DWR pays \$2.25 per MWh for operation and maintenance and the largest variable cost component, natural gas, is essentially treated as a pass through cost. Furthermore, due to its high efficiency, the power plant is expected to be competitive in the market place once the contract with DWR is terminated.

In August 2003, General Electric Aircraft Engines (GEAE) completed the construction of its \$15 million, 140,000 square foot hangar. The GEAE hangar facility serves as the jet engine testing center for GE manufactured engines and employs approximately 75 individuals.

In addition to the construction of the hangar for GEAE, and in response to growing demand, the Authority is currently pursuing plans for the construction of two new additional hangars, one to accommodate expanded aircraft maintenance activities by one of its existing tenants, Boeing, and a second to enable the installation of full service aircraft painting facilities to be occupied by Leading Edge, one of the country's foremost aircraft painting companies.

Away from SCLA and located in the Victorville portion of the VVEDA Project Area, construction has been underway on the Dunia Plaza. The Dunia Plaza is located immediately south of the Mall of Victor Valley and abutting Bear Valley Road. As approved, the site plan consists of 364,000 square feet of retail building space. Commencing construction in the spring of 2000, Dunia Plaza currently provides 200,000 square feet of building space for commercial users. Among the newest of operators in the Dunia Plaza are Applebee's, Lowe's Home Improvement, Kohl's Retail center, Roadhouse Grill and Starbucks Coffee. Anticipated in the Dunia Plaza are the construction of a new hotel facility and 22-screen movie theatre. Currently under construction is Chili's and a Johnny Carrino's restaurant.

Located outside the Victorville portion of the VVEDA Project Area but located in the City and influencing the level of activity occurring in the VVEDA Project Area was the construction in 2001 of 1.28 million square feet of warehousing space in the City's Foxborough Industrial Park to service the ground transportation industry. The tenants occupying space in the two warehousing facilities are The Goodyear Tire and Rubber Company and M&M/Mars, Inc. Currently planned for construction in the Foxborough Industrial Park is the addition of two manufacturing and warehouse facilities (650,000 and 200,000 square feet, respectively). Both facilities are scheduled to break ground in November 2003. The 650,000 square foot facility is being constructed to accommodate the manufacture and distribution of pet food products manufactured by Nutro Products. The 200,000 square foot warehouse is being constructed to accommodate the logistics fulfillment for the frozen foods division of ConAgra Foods. Both projects are scheduled to be completed in the first quarter of 2005 and are expected to employ a total of 300 employees.

## Rail Project Development

In order to enhance economic development activities at SCLA and to accommodate significant increased demand from large industrial users, the Authority has caused the creation of the Southern California Logistics Rail Authority (the "Rail Authority") along with the City and its Redevelopment Agency. The increased demand has been evidenced by the recent completion of the Goodyear Tire and M&M Mars distribution facilities in the City's redevelopment project area. In addition, the City's Redevelopment Agency is close to finalizing negotiations with Nutro Foods, Inc. and ConAgra Foods for two additional manufacturing and distribution facilities to be located in the Foxborough Industrial Park.

As a result, the Rail Authority is currently undertaking preparation of a Specific Plan Amendment which incorporates significant portions of SCLA and approximately 2,000 adjacent acres. The proposed rail project will expand the existing SCLA's Specific Plan generally on the east and north sides of the Airport. Build-out of the SCLA Specific Plan and rail service project is expected to generate approximately 1,500 rail facility jobs and 18,000 jobs related to industrial users. The planned phasing is as follows:

- Phase 1 (2002 to 2005): Complete entitlement process, commence replacement of existing public rail right-of-way and construct lead track from BNSF Main Line to SCLA.
- Phase 2 (2005 to 2010): 950-acre Inter-Modal rail facility, 650-acre Multi-Modal rail facility, approximately 584 acres of industrial use (approximately 6.4 million square feet of general building area), and all off-site rail improvements.
- Phase 3 (2010 to 2015): approximately 1,190 acres of industrial use in the expansion area (approximately 12.3 million square feet of general building area).

Environmental review for this project commenced on January 6, 2003 and it is anticipated that an Environmental Impact Report in accordance with the California Environmental Quality Act will be ready for certification in January of 2004. This will then enable commencement of construction activities on Phase 1 of the project. The proposed rail project has already received significant interest from the Burlington Northern Santa Fe Railroad and Union Pacific Railroad, who are currently facing significant capacity constraints in the L.A. Basin Area. The Rail Authority has already entered into discussions with BNSF for the development of intermodal facilities and rail served industrial developments. In addition, The Pasha Group, one of the region's largest logistics providers, has entered into a lease transaction for certain facilities on GAFB and has commenced freight forwarding operations, sorting and consolidation and storage operations for large containers being delivered from the Port of Los Angeles. The Pasha Group is anticipating future development of the approximate 650 acre multi-modal rail facility in order to provide for consolidation, accessorization and distribution of vehicles entering into the Ports of Los Angeles and Long Beach from Asia. The Rail Authority has already submitted an application to the U.S. Department of Transportation to obtain financing under the Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA").

## **PROPERTY TAXATION IN CALIFORNIA**

### **Constitutional Amendments Affecting Tax Revenues**

Article XIII A of the California Constitution limits the amounts of ad valorem tax on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment period." Furthermore, all real property

valuation may be increased to reflect the inflationary rate, as shown by the consumer price index, not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voters voting on the proposition approving such bonds, and requires a vote of two-thirds of the qualified electorate to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State tax law resulting in increased tax revenues.

Article XIII B of the California Constitution limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the subsequent two years.

Section 33678 of the Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances or indebtedness incurred for redevelopment activity shall not be deemed the receipt by such Authority of proceeds of taxes within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or any appropriation subject to the limitation of, any other public body within the meaning or the purpose of the Constitution and laws of the State, including Section 33678 of the Law. Two California appellate court decisions have upheld the constitutionality of Section 33678, and in the one case in which a petition for review was filed in the California Supreme Court, such petition was denied.

### **Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the traditional practice of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for Fiscal Year 1978-79 only, the tax levied by each county was to be appropriated among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (a) real property between spouses and (b) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A and allows persons age 55 or older to transfer the lower assessed value of their current residence to another newly-purchased residence of equal or lesser value. For the exemption to apply, the new residence must be located in the same county and be purchased within two years after the sale of the previous residence. Proposition 60, as such, has no direct state or local fiscal effect unless the County Board of Supervisors passes an ordinance implementing it. The County of San Bernardino has adopted such an ordinance. In the March 26, 1996 general election, voters approved Proposition 193, which extends the parents-children exception to the reappraisal of assessment value. Proposition 193 amended Article XIII A so that grandparents may transfer to their grandchildren,

whose parents are deceased, their principal residence and the first \$1,000,000 of other property without a reappraisal of assessed value.

The passage of Proposition 58, Proposition 60 and Proposition 193 may result in diminution of future increase in tax increment for the Authority. Although the extent of the decrease in tax increment in future years is not known, the Authority has no power to levy and collect taxes. Any further reduction in the tax rate or the implementation of any constitutional or legislative property tax de-emphasis will reduce the tax increment and, accordingly, would have an adverse impact on the ability of the Authority to make payments of principal and interest on the Bonds.

Effective as of the 1981-82 Fiscal Year, assessors in California no longer record property values in the tax rolls at the assessed value of 25% of market values. All taxable property value is shown at full market value. In conformity with this change in procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of market value and all general tax rates reflect the \$1 per \$100 of taxable value.

Future assessed valuation growth allowed under Article XIII A (i.e., new construction, change of ownership, and 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each Authority's allocation in the following year. The Authority is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above those described above, even with the approval of the affected voters.

### **Constitutional Challenges to Property Tax System**

There have been many challenges to Article XIII A of the California Constitution. Recently, the United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. The Authority cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Authority's receipt of Tax Increment Revenues should a future decision hold unconstitutional the method of assessing property.

### **Property Tax Collection Procedures**

In California, property that is subject to ad valorem taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The payment of delinquent taxes with respect to property on the secured roll may be enforced only through the sale of the property securing the taxes to the State for the amount of taxes that are delinquent. Such property may thereafter be redeemed by payment of the delinquent taxes and penalties. Unsecured personal property taxes may be collected, in the absence of timely payment by the taxpayer, through (1) a civil action against the taxpayer; (2) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on property of the taxpayer; (3) seizure and sale of

personal property, improvements or possessory interests belonging or assessed to the taxpayer; and (4) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer.

Except for property assessed by the State, the valuation of taxable property is determined as of January 1 each year, and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31, and such taxes are levied at the prior year's secured tax rate. The valuation of State-assessed property is determined on January 1 of each year.

### **Supplemental Assessments**

A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498) provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change, and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased (or decreased) revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the VVEDA Project Area, Pledged Tax Revenues may increase or decrease.

Collection of taxes based on supplemental assessments will occur throughout the year. Taxes due will be pro-rated according to the amount of time remaining in the tax year, with the exception of tax bills dated March 1 through May 31, which will be calculated on the basis of the remainder of the current fiscal year and the full twelve months of the next fiscal year.

### **Tax Collection Fees**

SB 2557 enacted in 1990 (Statutes of 1990, Chapter 466), authorized county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation, SB 1559 (Chapter 697, Statutes of 1992), specifically includes redevelopment agencies among entities subject to a property tax administration charge. **The projections of Pledged Tax Revenues take such administrative costs into account.**

### **Unitary Property Tax**

AB 454 (Statutes of 1987, Chapter 921) provides a revised method of reporting and allocating property tax revenues generated from most State-assessed unitary properties commencing with Fiscal Year 1988-89. Under AB 454, the State reports to each county auditor-controller only the county-wide unitary taxable value of each utility, without an indication of the distribution of the value among tax rate areas. AB 454 provides two formulas for auditor-controllers to use in order to determine the allocation of unitary property taxes generated by the county-wide unitary value, which are: (i) for revenue generated from the 1% tax rate, each jurisdiction is to receive up to 102% of its prior year unitary property tax increment revenue; however, if county-wide revenues generated from unitary properties are greater than 102% of prior year revenues, each jurisdiction receives a percentage share of the excess unitary revenues equal to the percentage of each jurisdiction's share of secured property taxes; (ii) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction is to receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes.



The provisions of AB 454 apply to all State-assessed property, except railroads and non-unitary properties the valuation of which will continue to be allocated to individual tax rate areas. The provisions of AB 454 do not constitute an elimination or a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows, generally, valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

In 2002, the State Legislature adopted AB 81 (adding sections 100.9 and 721.5 of the Revenue and Taxation Code). This bill provides that commencing with the January 1, 2003 property tax lien date, the State Board of Equalization ("BOE") will annually assess any electric generation facility that has a generating capacity of 50 megawatts or more where the facility is owned or used either by a company which is an electrical corporation as defined in the Public Utilities Code. The bill also requires that the assessed value of electric generation facilities required to be assessed by the BOE will be allocated exclusively to the county in which the facility is located, and that the revenues derived from the assessment of this property be allocated among the jurisdictions in the same percentage shares as revenues derived in that tax rate area in which it is located. Accordingly, the VVEDA Project Area is expected to be allocated all of the tax increment revenues generated by the Facility.

### **Business Inventory and Replacement Revenue**

Prior to 1979, the State reimbursed cities, counties, special districts and redevelopment agencies that portion of taxes which would have been generated by the exempted portion of business inventory value (50%). In 1979, the California Legislature enacted AB 66 (Statutes of 1979, Chapter 1150), eliminating the assessment and taxation of business inventory property and providing for replacement revenue for local agencies, except redevelopment agencies. In 1980, the California Legislature enacted AB 1994 (Statutes of 1980, Chapter 610), providing partial replacement revenue for the loss of business inventory revenues by redevelopment agencies.

In 1990, the California Legislature amended Section 16112.7 of the California Government Code (Chapter 449, Statutes of 1990) which precludes redevelopment agencies from pledging special subvention revenues toward the payment of debt service for bonded indebtedness incurred after July 31, 1990 (the effective date of the legislation). The 1992-93 State Budget reduced the State's funding for the special subvention. As enacted under AB 222 (Chapter 188, Statutes of 1991), the Budget Act eliminated 1991-92 subvention payments for most redevelopment projects. Additionally, the 1992-93 State Budget implemented further cuts in funding for the State's special subvention to redevelopment agencies. **As a result, these revenues are not included in the projections of estimated Pledged Tax Revenues.**

### **Proposition 87**

Under prior State law, if a taxing entity increased its tax rate to obtain revenues to repay general obligation bonds approved by two-thirds of the voters, the redevelopment agency with a project area which includes property affected by the tax rate increase would realize a proportionate increase in tax increment.

Proposition 87, approved by the voters of the State on November 8, 1988, requires that all revenues produced by a tax rate increase (approved by the voters on or after January 1, 1989) go directly to the taxing entity which increases the tax rate to repay the general obligation bonded indebtedness. As a result, redevelopment agencies no longer receive an increase in tax increment when taxes on property in the project area are increased to repay voter approved general obligation debt, and are excluded from the Pledged Tax Revenues pledged to secure payment of the Bonds.

## **Future Initiatives**

Article XIII A, Article XIII B, and Proposition 87 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 revenues of the Authority or the Authority's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the Authority.

## **RISK FACTORS**

This Official Statement discusses many matters any one of which may have an impact on the security for the Bonds, the ability of the Authority to make the payments required to repay the Bonds and their interest in a timely manner, the subsequent rating on the Bonds or the price thereof. Thus, an investor must read the entire Official Statement in order to judge the risks inherent in investment in the Bonds. This section highlights certain risks inherent in the transaction, but is not, and is not intended to be, a complete list or discussion of the risks associated with this transaction.

### **HDPP Guaranty Unsecured Obligation**

The obligation of HDPP to pay Additional Rent under the Lease is an unsecured general obligation of HDPP. No assets of HDPP have been pledged to the payment of Additional Rent under the Lease.

### **Bonds Are Limited Obligations**

The Bonds, and the interest thereon, are limited obligations of the Authority and do not constitute a general obligation of the Authority. See "SECURITY FOR THE BONDS" herein. No Owner of the Bonds may compel exercise of the taxing power of the State of California or any of its political subdivisions or agencies to pay the principal of, premium, if any, or interest due on the Bonds. The Bonds do not evidence a debt of VVEDA, the Authority or the City within the meaning of any constitutional or statutory debt limitation provision.

### **Reduction of Tax Revenues**

Pledged Tax Revenues allocated to the Authority are a portion of the taxes allocated to the Authority each year which are determined by the amount of incremental valuation of taxable property in the VVEDA Project Area, the current rate or rates at which property in the VVEDA Project Area is taxed and the percentage of taxes collected in the VVEDA Project Area. The Authority has no taxing power, nor does the Authority have the power to affect the rate at which property is taxed.

At least four types of events that are beyond the control of the Authority could occur and cause a reduction in Pledged Tax Revenues arising from the VVEDA Project Area, thereby impairing the ability of the Authority to make payments of principal of and interest and premium (if any) when due on the Bonds.

First, a reduction of taxable values of property or tax rates in the VVEDA Project Area or a reduction of the rate of increase in taxable values of property in the VVEDA Project Area caused by economic or other factors beyond the Authority's control (such as a relocation out of the VVEDA Project Area by one or more major property owners, successful appeals by property owners for a reduction in a property's assessed value, a reduction of the general inflationary rate, deflation, a reduction in transfers of property, construction activity or other events that permit reassessment of property at lower values, or the destruction of property caused by natural or other disasters, including earthquake) could occur, thereby causing a reduction in Pledged Tax Revenues. Transfer of property to governmental or other tax-exempt

entities could remove property from the tax rolls and thereby reduce the taxable value of property in the VVEDA Project Area.

Second, the California electorate or legislature could adopt limitations with the effect of reducing Pledged Tax Revenues payable to the Authority. Such limitation already exists under Article XIII A of the California Constitution, which was adopted pursuant to the initiative process. For a further description of Article XIII A, see "PROPERTY TAXATION IN CALIFORNIA - Constitutional Amendments Affecting Tax Revenues."

Third, a reduction in the tax rate applicable to property in the VVEDA Project Area by reason of discontinuation of certain override tax levies in excess of the 1% basic levy will reduce Pledged Tax Revenues otherwise available to pay debt service. Such override can be expected to decline over time until it reaches the 1% basic levy and may be discontinued at any time, which may cause a reduction in Pledged Tax Revenues.

Fourth, delinquencies in the payment of property taxes by the owners of land in the VVEDA Project Area could have an adverse effect on the Authority's ability to make timely payments on the Bonds.

Tax revenues allocated to the Authority are distributed throughout the year in ten monthly installments, with the first installment in November and a final payment by August of the succeeding year. The payments are adjusted to reflect actual collections. Any reduction in tax revenues, whether for any of the foregoing reasons or any other reason, could have an adverse effect on the Authority's ability to make payments on the Bonds.

### **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value basis of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. **The Authority has projected Pledged Tax Revenues to be received by it based, among other things, upon such 2% inflationary increases.** Should the assessed value of real property not increase at the allowed annual rate of 2%, the Authority's receipt of future Pledged Tax Revenues may be adversely affected. See "PROPERTY TAXATION IN CALIFORNIA - Constitutional Amendments Affecting Tax Revenues."

### **Development Risks**

Generally, the Authority's ability to pay debt service on the Bonds will be primarily dependent upon the economic strength of SCLA. The general economy of SCLA will be subject, in part, to the development risks generally associated with real estate development projects. Projected development within the VVEDA Project Area may be subject to unexpected delays, disruptions and changes. For example, real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market, fluctuations in interest rates, unexpected increases in development costs and by other factors. Further, real estate development operations within the VVEDA Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the VVEDA Project Area is delayed or halted, the economy within VVEDA Project Area could be adversely affected, causing a reduction of the Pledged Tax Revenues available to pay debt service on the Bonds.

## **Seismic Risk**

Any natural disaster or other physical calamity, including earthquake, within the boundaries of the VVEDA Project Area may have the effect of reducing Pledged Tax Revenues through reduction in assessed valuation, increased payment delinquency, or both. There are no known major faults within the VVEDA Project Area. However, there are several faults, including the San Andreas Fault and the Helendale Fault, which are considered active faults and which are located approximately 10 to 20 miles from the VVEDA Project Area.

## **The Bezaire Case**

On November 2, 2001, in an Orange County Superior Court case styled County of Orange v. Orange County Assessment Appeals Board No. 3, Case No. 00CC03385 ("Bezaire"), the Orange County Superior Court issued a Minute Order holding that the Orange County Assessor (the "Assessor") had violated the 2% maximum annual inflation adjustment limit of Article XIII A of the California Constitution. The Assessor had increased the assessed value of a single family residential property by 4% in one year, after subjecting the property to no increase the previous year, when the market value of the property declined below its taxable value. The Assessor established the 4% value increase by determining that the property's then-current market value was greater than the assessed value would have been if the 2% annual inflation adjustment had been applied the previous year. The State Board of Equalization had approved this methodology for increasing assessed values in similar circumstances. The Orange County Superior Court has entered a ruling which allows restatement of the complaint as a class action. Should the matter be upheld on appeal it could limit the rate at which county assessors can increase the assessed value of properties which have been subject to reductions in assessed value. A similar suit filed as a class action in Los Angeles County, Bezaire, et al. v. County of Los Angeles, was dismissed by the Los Angeles County Superior Court in April, 2002, and no appeal was taken from the case.

The Authority is unable to predict the outcome of the Bezaire litigation but does not anticipate that it will have a material impact on assessed values in the VVEDA Project Area.

## **Levy and Collection**

Neither VVEDA nor the Authority has any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues, and accordingly, could have an adverse impact on the ability of the Authority to pay debt service on the Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Authority's ability to make timely debt service payments. To estimate the Tax Increment Revenues available to pay debt service on the Bonds, the Authority has made certain assumptions with regard to the assessed valuation of property within the VVEDA Project Area and future tax rates. The Authority believes these assumptions to be reasonable, but to the extent that the assessed valuation and the tax rates are less than the Authority's assumptions, the Pledged Tax Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected herein. See "SECURITY FOR THE BONDS - Tax Allocation Financing and Pledged Tax Revenues" and "PLEGGED TAX REVENUES." **The projections herein of Pledged Tax Revenues do not take into account any delinquencies.**

## **Redevelopment Plan Limitations on Tax Revenues**

Sections 33333.2 and 33333.4 of the Law requires each redevelopment agency to either include in each redevelopment plan or to adopt by ordinance a limitation on the amount of taxes which may be divided and allocated to the redevelopment agency with respect to the related redevelopment project area.

Pursuant to Section 33333.2, taxes may not be allocated to a redevelopment agency beyond this limitation except by amendment of the redevelopment plan. Pursuant to Section 33492.40(d), VVEDA has determined that the Redevelopment Plan will not include a limit on the amount of taxes that may be divided and allocated for the VVEDA Project Area. Section 33334.1 of the Law requires each redevelopment agency to establish in each redevelopment plan a limit on the amount of bonded indebtedness which can be outstanding at any one time without amending the plan. VVEDA has determined pursuant to Section 33492.40(d) that the Redevelopment Plan shall not limit the amount of bonded indebtedness outstanding at any one time because the institution of such a limit would make it impractical to achieve successful reuse and redevelopment of the former George Air Force Base.

In addition, under the provisions of AB 1290, enacted by the State Legislature in 1993, a redevelopment agency may not pay indebtedness or receive property taxes pursuant to Section 33670 of the Law after ten years from the termination of the effectiveness of a redevelopment plan (which is now limited to 40 years after the adoption of such redevelopment plan). See "RISK FACTORS - Assembly Bill 1290."

The limitations imposed by the Redevelopment Plan and/or AB 1290 are as follows:

Plan Expiration Date: July 12, 2030

Last Date to Collect Tax Increment Revenues: July 12, 2045

Last Date to Incur Non-Housing Fund Debt: July 12, 2020

### **Property Assessment Appeals**

An assessee of locally-assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization ("SBE"), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which are subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally-assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel. i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally-assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the two percent inflation factor, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Pursuant to Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value, if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value pursuant to Section 51(b), commonly referred to as Proposition 8 appeals, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years subsequent to a successful

Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value.

The taxable value of utility property may be contested by utility companies and railroads to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by the SBE. As a result, the successful appeal of a utility may not affect the taxable value of a project area but could affect a project area's allocation of unitary property taxes.

The actual impact on tax increment is dependent upon the actual revised value of assessments resulting from values determined by the San Bernardino County Board of Supervisors or through litigation and the ultimate timing of successful appeals. Because the San Bernardino County Auditor-Controller adjusts revenues to the Authority to reflect roll corrections from successful appeals, the Authority may bear the burden of appeals. The actual valuation impact to the VVEDA Project Area from successful assessment appeals will occur on the assessment roll prepared after the actual valuation reduction. **The projections herein of the Pledged Tax Revenues do not take into account any successful appeals.**

### **Assembly Bill 1290**

In September 1993, the Redevelopment Reform Act of 1993 ("AB 1290") was passed by the California Legislature and signed into law by the Governor, amending various provisions of the Law. Among other things, AB 1290 generally provides for the placement of time limits on the effectiveness of every redevelopment plan, and provides that after ten years from the termination date of a plan's effectiveness, no redevelopment agency, subject to certain exceptions, shall pay indebtedness or receive property taxes in connection therewith. AB 1290's language expressly states that the limitations generally described in the preceding sentence and codified in Section 33333.6 of the Law shall not be construed to affect the validity of any bond, indebtedness or other obligation issued prior to January 1, 1994, nor shall they be construed to affect the right of a redevelopment agency to receive property taxes to pay such indebtedness or other obligation.

Under AB 1290, the maximum allowable duration of a redevelopment plan adopted on or before December 31, 1993 is forty years from plan adoption or January 1, 2009, whichever date is later. AB 1290 also limits the period for debt repayment on tax allocation bonds and the receipt of tax increment pursuant to Section 33670 of the Law to ten years from the termination of a plan's effectiveness, although such provisions do not apply to bonds issued for low and moderate income housing purposes such as the Bonds. See "THE VVEDA PROJECT AREA" herein.

### **Educational Revenue Augmentation Fund**

The State budget for Fiscal Year 1993-94 transferred \$2.6 billion to school districts from cities, counties and other local governments, including redevelopment agencies. As part of the budget's transfer of moneys to school districts, the State Legislature adopted SB 1135 which required redevelopment agencies to transfer approximately \$65 million to the Educational Revenue Augmentation Fund ("ERAF") in both Fiscal Years 1993-94 and 1994-95. The Authority met its ERAF obligation out of current funds. As a result of the enactment of AB 1768 (Statutes of 2002, Chapter 1127), the Authority made an additional ERAF contribution of \$19,357 to the State for Fiscal Year 2002-03. Recently, the State Legislature adopted SB 1045 requiring redevelopment agencies to transfer \$135 million to the ERAF in Fiscal Year 2003-04. The Authority anticipates that its portion will be approximately \$62.112, which will be paid in May 2004 from cash on hand. While the Authority does not anticipate that the amount of this contribution will impact its ability to make payments under the Indenture, there can be no

assurance that the Legislature will not require similar or increased deposits in future years to deal with its budget deficits.

### **Bankruptcy and Foreclosure**

On July 30, 1992, the United States court of Appeals for the Ninth Circuit issued an opinion in a bankruptcy case entitled *In re Glasply Marine Industries* holding that ad valorem property taxes levied by a county in the State of Washington after the date that a property owner filed a petition for bankruptcy would not be entitled to priority over the claims of a secured creditor with a prior lien on the property. Similar results were reached by several circuit courts in other circuits. Subsequently, however, Section 362(b)(18) of the Bankruptcy Code was enacted, effectively overturning this line of decisions and providing that local governments may rely on statutory property tax liens to secure payment of property taxes after the filing of a bankruptcy petition.

### **Enforceability of Remedies**

The remedies available to the Trustee and the owners of the Bonds upon an event of default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and such documents will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

## **THE AUTHORITY**

The Authority is a joint powers authority whose members are the City and the Victorville Redevelopment Agency (the "Agency"). The Authority is duly organized and existing under a Second Amended and Restated Joint Exercise of Powers Agreement Creating Southern California Logistics Airport Authority, dated February 21, 2001, by and between the City and the Agency, and under the provisions of the JPA Law. The members of the Victorville City Council serve as members of the Authority's Commission, and the Victorville City Manager serves as the Authority's Executive Director. The Finance Director for the City serves as Authority Treasurer, while the City Clerk is Secretary to the Authority.

### **Authority and Management**

In 1997, VVEDA authorized the formation of the Authority by the City and the Agency pursuant to the VVEDA JPA, the Law and the JPA Law. The Authority is governed by a five-member commission which consists of all members of the City Council of the City, who also sit as the Agency's Governing Board. The Mayor is selected from among the five City Council members, who are elected at large. City Council/Authority Commission members, their occupations and term expiration dates, are as follows:

<u>Board Member</u>	<u>Term Expires</u>	<u>Occupation</u>
Terry E. Caldwell	November 2006	Attorney
Bob Hunter	November 2004	Investigator
Mike Rothschild	November 2004	Retired School Teacher
Rudy Cabriales	November 2004	Retired Fire Chief
JoAnn Almond	November 2006	Retired Business Owner

## **Powers**

The Authority is charged with the responsibility of eliminating blight within the SCLA through the process of redevelopment. Generally, this process culminates when the Authority disposes of land for development by the private sector. Before this can be accomplished, the Authority must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses, demolishing the deteriorated improvements, grading and preparing the sites for purchase by developers and providing for ancillary offsite improvements. The Authority has assumed the broad powers to redevelop GAFB originally extended to VVEDA pursuant to Section 33492.40 of the Law and delegated by VVEDA to the Authority pursuant to the VVEDA JPA.

All powers of the Authority are vested in its five members. The Authority exercises all of the governmental functions authorized under the Law in carrying out projects and has sufficiently broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds, notes and other evidences of indebtedness and expend their proceeds.

The Authority can clear buildings and other improvements and develop as a building site any real property owned or acquired, and in connection with such development, cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

Redevelopment in the State may be carried out pursuant to the Law. Section 33020 of the Law defines redevelopment to include the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

The Authority may, out of the funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned, to the extent that such improvements are of benefit to the SCLA and no other reasonable means of financing is available. The Authority must sell or lease remaining property within the SCLA for redevelopment by others in strict conformity with the Redevelopment Plan, and may specify a period within which such redevelopment must begin and be completed.

## **Financial Information**

Included in this Official Statement as Appendix F are the audited financial statements of the Authority for the Fiscal Year ended June 30, 2002.

## **Regulatory Issues**

All real property in the VVEDA Project Area is subject to the controls and restrictions of the Redevelopment Plan described herein. The Redevelopment Plan provides that all new construction in the VVEDA Project Area shall comply with all applicable State and local laws in effect, including the various codes of the VVEDA Members. The Redevelopment Plan specifies particular land use areas. The Authority may permit an existing but nonconforming use to continue so long as the Authority determines that the use is generally compatible with other surrounding development uses.

Within the limits, restrictions and controls established in the Redevelopment Plan, the Authority is authorized to limit the number, type, size and height of buildings in the VVEDA Project Area, and to



establish design criteria, traffic circulation, traffic access and other development and design controls necessary for proper development within the VVEDA Project Area.

### **UNDERWRITING**

The original purchase price to be paid is \$43,479,160.05 for the Bonds (which is equal to the par amount of the Bonds less an Underwriters' Discount of \$789,600.00 and Original Issue Discount of \$851,239.95). The Underwriters intend to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriters may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

### **LEGAL MATTERS**

All of the legal proceedings in connection with the authorization and issuance of the Bonds are subject to the approval of Fulbright & Jaworski L.L.P., Bond Counsel. Copies of the opinion of Bond Counsel, substantially in the form set forth in Appendix B, hereto, will be provided to the original purchaser without charge.

Certain legal matters will be passed upon by Fulbright & Jaworski L.L.P. and Green, de Bortnowsky & Quintanilla, LLP, co-Disclosure Counsel, and for the Authority by its General Counsel, Green, de Bortnowsky & Quintanilla, LLP.

### **TAX MATTERS**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority has covenanted in the Indenture to comply with each applicable requirement of the Code necessary to maintain the exclusion pursuant to section 103(a) of the Code of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenant, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that, assuming compliance with the aforementioned covenant, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, the interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code.

The excess, if any, of the stated redemption price at maturity of Bonds of a maturity over the initial offering price to the public of the Bonds of that maturity set forth on the inside cover of this Official Statement is "original issue discount" under the Code. Such original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax

purposes and exempt from California personal income tax to the same extent as would be stated interest on the Bond. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Bonds who purchase such Bonds other than at the initial offering price and pursuant to the initial offering.

Any person considering purchasing a Bond of a maturity having original issue discount should consult his or her own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering and at the original offering price, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Receipt or accrual of interest on the Bonds owned by a corporation may affect the computation of the alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75 percent of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)).

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions that could directly or indirectly eliminate, or reduce the benefit of, the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of bond counsel if such advice or approval is given by counsel other than Fulbright & Jaworski L.L.P.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, and is exempt from personal income taxes of the State of California, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner's tax status and other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(1) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds, and (vi) under section 32(i) of the Code,

receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer", and the Owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interest from the Owners. Further, the disclosure of the initiation of an audit may adversely affect the market price of the Bonds, regardless of the final disposition of the audit.

#### **NO LITIGATION**

There is no action, suit or proceeding known to the Authority to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority taken with respect to any of the foregoing.

#### **NO RATING**

The Authority has neither applied for nor received, and does not contemplate applying for, a rating for the Bonds.

#### **MISCELLANEOUS**

All of the preceding summaries of the Indenture, the Law, other applicable legislation, the Redevelopment Plan, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its Executive Director has been duly authorized by the Authority.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT  
AUTHORITY

By   /s/ Jon Roberts    
Executive Director

## APPENDIX A

### SUMMARY OF THE INDENTURE

*The following is a summary of certain provisions of the Indenture which is being executed by the Southern California Logistics Airport Authority which governs the terms of the Bonds. This summary does not purport to be complete and is qualified in its entirety by reference to the Indenture for further information in this regard. All capitalized terms used but not otherwise defined in this Appendix shall have the meanings assigned to such terms in the Indenture.*

#### **Definitions**

##### Additional Obligations

The term “Additional Obligations” means any bonds, notes, interim certificates, debentures or other obligations or evidences of indebtedness issued by the Authority as permitted by the Indenture.

##### Additional Revenues

The term “Additional Revenues” means, as of the date of calculation, the amount of Pledged Tax Revenues which, as shown in a Consultant’s Report, are estimated to be receivable by the Authority within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the VVEDA Project Area due to either (i) construction which has been completed but which is not then reflected on the tax rolls, or (ii) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls. For purposes of this definition, the term “increases in the assessed valuation” means the amount by which the assessed valuation of taxable property in the VVEDA Project Area in the future is estimated to increase above the assessed valuation of taxable property in the VVEDA Project Area (as reported by an appropriate official of San Bernardino County) as of the date on which such calculation is made.

##### Annual Debt Service

The term “Annual Debt Service” means, for each Bond Year, the sum of (1) the interest falling due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from Mandatory Sinking Account Payments or at maturity as scheduled, (2) the principal amount of the Outstanding Serial Bonds payable by their terms in such Bond Year, and (3) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from Mandatory Sinking Account Payments in such Bond Year.

##### Authority

The term “Authority” means the Southern California Logistics Airport Authority, a joint powers authority duly organized and existing pursuant to the JPA Law.

##### Authority JPA

The term “Authority JPA” means the Joint Exercise of Powers Agreement Creating the Southern California Logistics Airport Authority, as amended from time to time.

## Authorized Investments

The term "Authorized Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

- (1) Federal Securities;
- (2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies: (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) senior debt obligations of the Student Loan Marketing Association and (v) interest obligations of the Resolution Funding Corporation;
- (3) interest-bearing demand or time deposits (including certificates of deposit) in federal or State chartered savings and loan associations or banks (including the Trustee, its parent holding company and their affiliates), fully insured by the Federal Deposit Insurance Corporation;
- (4) money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, which invest solely in Federal Securities or in obligations described in the previous clause (2) above, or which are rated "AAAm," "AAm," or "AAAm-G" by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provides investment advisory or other management services;
- (5) any general obligation of a bank (including the Trustee, its parent holding company and their affiliates) or insurance company whose long-term debt obligations are rated in one of the two highest ratings categories of S&P;
- (6) bankers acceptances endorsed and guaranteed by banks described in clause (5) above with a maximum term of one year;
- (7) commercial paper which at the time of purchase is of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by S&P, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by S&P, and provided that purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;
- (8) obligations, bearing interest which is exempt from federal income taxation under section 103 of the Code and which are rated in one of the top two rating categories by S&P;
- (9) shares in the California Arbitrage Management Program or any other program constituting a California common law trust established pursuant to Chapter 5 (commencing with Section 65000 of Division 7, Title 1 of the California Government Code), which invests exclusively in investments permitted by Section 53635 of the California Government Code, as it may be amended from time to time, to the extent such shares are held in the names and to the credit of the Trustee;

(10) the Local Agency Investment Fund ("LAIF") of the State of California, created pursuant to Section 16429.1 of the California Government Code; and

(11) repurchase agreements with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that all of the following conditions are satisfied: (1) the agreement is secured by any one or more of these securities described in subdivision (a) of this definition of Permitted Investments, (2) these underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the issuer of the repurchase agreement, (3) these underlying securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103 percent of the amount so invested; and

(12) Investment agreements, guaranteed investment contracts, funding agreements or any other form of corporate note which represents the unconditional obligation of one or more banks, insurance companies or other financial institutions or are guaranteed by a financial institution which has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by S&P or Moody's; provided that

- (i) the invested funds are available for withdrawal without penalty or premium at any time upon not more than seven days' prior notice; the Authority and the Trustee agree to give to or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- (ii) the investment agreement shall state that it is the unconditional and general obligation of, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- (iii) the Authority and the Trustee receive an opinion of the domestic counsel (which opinion shall be addressed to the Authority and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in a form and substance acceptable, and addressed to the Authority and the Trustee;
- (iv) such agreement shall require that if during its term the provider's rating by either S&P or Moody's falls below AA- or Aa3, respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an A rating in a rated structured financing (with a market value approach); or (ii) at the sole expense of the provider, the provider shall prepare written bid specifications for the unconditional assumption of their remaining

obligations under the same terms and conditions of the investment agreement, solicit bids from eligible replacement providers whose ratings are at least AA- and Aa3 by the S&P and Moody's, respectively, and award the unconditional assumption of the obligations to one of the replacement providers so long as such provider shall be approved by the Authority;

- (v) if the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below A- or A3, respectively, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority;
- (vi) in the event that the provider shall default in its payment of obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested, and accrued but unpaid interest thereon shall be repaid to the Authority or the Trustee, as appropriate;
- (vii) should the provider become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or the Trustee, as appropriate; and
- (viii) the Trustee shall be compensated for its entry into such agreement and review of the same (including the fees and costs of its counsel to review the same).

### Bonds

The term "Bonds" means the Southern California Logistics Airport Authority Tax Allocation Parity Bonds (Southern California Logistics Airport Project), Series 2003.

### Bond Year

The term "Bond Year" means (i) with respect to the initial Bond Year, the period extending from the date the Bonds are originally delivered to December 1, 2003, and (ii) thereafter, each successive twelve month period ending on December 1.

### Business Day

The term "Business Day" means a day which is not a Saturday, a Sunday or a day on which banks located in the city of New York, New York or in the city where the Corporate Trust Office of the Trustee is located are required or authorized to remain closed.

### Business Inventory Tax Subvention

The term "Business Inventory Tax Subvention" means all amounts payable by the State to the Authority under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State.



### Certificate of the Authority

The term "Certificate of the Authority" means an instrument in writing signed by the Chairman or Vice-Chairman of the Authority, or by the Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose and so certified in writing to the Trustee.

### City

The term "City" means the City of Victorville, California.

### Closing Date

The term "Closing Date" means November 13, 2003.

### Code

The term "Code" means the Internal Revenue Code of 1986, and any regulations promulgated thereunder.

### Consultant's Report

The term "Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

- (1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;
- (3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

### Corporate Trust Office of the Trustee

The term "Corporate Trust Office of the Trustee" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Authority, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which at any particular time its corporate trust agency shall be conducted.

### County

The term "County" means the County of San Bernardino, California.

### Depository

The term "Depository" means the securities depository acting as Depository pursuant to the Indenture.

## DTC

The term "DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

## Facility

The term "Facility" means an electric generating plant of approximately 750 megawatt capacity to be constructed on a land parcel at SCLA.

## Federal Securities

The term "Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or other evidence of indebtedness secured by the full faith and credit of the United States of America; pre-refunded municipal obligation rated in the highest category by Moody's or S&P; and also any securities now or hereafter authorized both the interest on and principal of which are guaranteed directly by the full faith and credit of the United States of America, as and to the extent that such securities are eligible for the legal investment of Authority funds.

## First Amendment

The term "First Amendment" means the First Amendment to Estoppel, Nondisturbance and Attornment Agreement, dated as of April 26, 2001, pursuant to which all interest of HDPT in the Lease, including its obligation to pay additional rent thereunder, were assigned to HDPP.

## Fiscal Year

The term "Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding July 30, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with the Law and identified in writing to the Trustee.

## HDPP

The term "HDPP" means High Desert Power Project, LLC, a California limited liability company which is an indirect wholly owned subsidiary of Constellation Energy Group, Inc., that has assumed all interest of HDPT in the Lease pursuant to the First Amendment, including the obligation to pay additional rent thereunder.

## HDPP Guaranty

The term "HDPP Guaranty" means the obligation of HDPP pursuant to the Lease and the First Amendment to pay to the Authority an in lieu amount equal to the difference between the amount of tax increment revenues attributable to the Facility actually received by VVEDA and/or the Authority during any Lease Year (excluding pass through payments to affected taxing entities) and \$2,000,000, which obligation was assigned to HDPP pursuant to the First Amendment; provided, however, the maximum amount payable by HDPP for any given Lease Year shall not exceed \$1,000,000.

## HDPT

The term "HDPT" means High Desert Power Trust, a Delaware business trust, that has leased a portion of the land at SCLA to construct the Facility pursuant to the Lease.

Indenture

The term “Indenture” means the Indenture and all Supplemental Indentures.

Independent Certified Public Accountant

The term “Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Authority, and who, or each of whom:

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have any substantial interest, direct or indirect, with the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority.

Independent Financial Consultant

The term “Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Authority and who, or each of whom:

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have any substantial interest, direct or indirect, with the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to make annual or other reports to the Authority.

Independent Redevelopment Consultant

The term “Independent Redevelopment Consultant” means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Authority, and who, or each of whom:

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have any substantial interest, direct or indirect, with the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to make annual or other reports to the Authority.

Information Services

The term “Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10006; Moody’s “Municipal and Government,” 5250-77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bonds Department; and S&P’s “Called Bond Record,” 25 Broadway, 3rd Floor,

New York, New York 10004; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called Bonds as the Authority may designate in writing to the Trustee.

#### Interest Payment Date

The term "Interest Payment Date" means each June 1 and December 1, commencing June 1, 2004, on which interest on any Series of Bonds is scheduled to be paid.

#### Investment Agreement

The term "Investment Agreement" means an investment agreement or guaranteed investment contract by and between the Trustee and a national or state chartered bank or savings and loan institution or other financial institution or insurance company, respecting the investment of moneys in certain funds or accounts established pursuant to the Indenture; provided that, at the time of execution thereof, any such bank, institution, or company has unsecured debt obligations or claims paying ability rated in one of the two highest rating categories by S&P's and/or Moody's.

#### JPA Law

The term "JPA Law" means the Joint Exercise of Powers Act of the State of California (being Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State, as amended) and all laws amendatory thereof or supplemental thereto.

#### Law

The term "Law" means the Community Redevelopment Law of the State (being Part 1 of Division 24 of the Health and Safety Code of the State, as amended), and all laws amendatory thereof or supplemental thereto.

#### Lease

The term "Lease" means the Ground Lease and Development Agreement, dated February 9, 2001, by and between the Authority and HDPT.

#### Lease Year

The term Lease Year means each twelve-month period beginning on the commencement date of the Lease.

#### Letter of Representations

The term "Letter of Representations" means the letter of the Authority and the Trustee delivered to and accepted by the Depository on or prior to the issuance of a Series of Book-Entry Bonds setting forth the basis on which the Depository serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

### Mandatory Sinking Account Payment

The term “Mandatory Sinking Account Payment” means, with respect to Bonds of any series and maturity, the amount required by the Indenture or any Supplemental Indenture to be paid by the Authority on any single date for the retirement of Term Bonds of such series and maturity.

### Members of VVEDA

The term “Members of VVEDA” means the Cities of Adelanto, Hesperia and Victorville, the Town of Apple Valley, and the County of San Bernardino.

### Moody’s

The term “Moody’s” means Moody’s Investors Service Inc., New York, New York, and its successors.

### Nominee

The term “Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to the Indenture.

### Outstanding

The term “Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except --

- (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of the Indenture; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Authority pursuant to the Indenture.

### Owner

The term “Owner” means the registered owner of any Outstanding Bond.

### Parity Bonds

The term “Parity Bonds” means the Authority’s \$13,560,000 Tax Allocation Bonds (Southern California Logistics Airport Project) Series 2001, issued on November 30, 2001.

### Participants

The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

### Pledged Tax Revenues

The term “Pledged Tax Revenues” means (1) on a parity basis with the Parity Bonds (A) all tax increment revenues generated on the parcels comprising SCLA pledged and annually allocated and paid

to the Authority pursuant to the Redevelopment Plan and the SCLAA JPA, including all payments, subventions and reimbursements (if any) to the Authority specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the Authority in any Fiscal Year pursuant to Section 33334.3 of the Law, and (ii) amounts, if any, received by the Authority pursuant to Section 16111 of the Government Code, (B) all tax increment revenues pledged and annually allocated and paid to the Authority by the VVEDA Members from the VVEDA Project Area, exclusive of the parcels comprising SCLA, pursuant to the Redevelopment Plan and the VVEDA JPA, including all payments, subventions and reimbursements (if any) to the VVEDA Members specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the VVEDA Members in any Fiscal Year pursuant to Section 33334.3 of the Law, and (ii) amounts, if any, received by the VVEDA Members pursuant to Section 16111 of the Government Code, (C) the HDPP Guaranty, and (D) the Victorville Pledge; and (2) to the extent proceeds of the Bonds are used for low and moderate income housing programs, on a first lien basis, (A) such taxes required to be deposited for low and moderate income housing purposes by the Authority in any Fiscal Year pursuant to Section 33334.3 of the Law and (B) the Victorville Housing Pledge.

#### Principal Payment Date

The term "Principal Payment Date" means any date on which principal of any Series of Bonds is scheduled to be paid, which date shall be as set forth in the Indenture for the Bonds.

#### Project

The term "Project" means the undertaking of the Authority pursuant to the Redevelopment Plan and the Law for the redevelopment of SCLA.

#### Qualified Reserve Account Credit Instrument

The term "Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (i) the long-term credit rating of such bank is within the highest rating category of Moody's Investors Service or Standard & Poor's, or the claims paying ability of such insurance company is rated within the highest rating category of A.M. Best & Company, at the time of delivery of such letter of credit or surety bond; (ii) such letter of credit or surety bond has a term of at least 12 months; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Account Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder amounts necessary to carry out the purposes specified in the Indenture, including the replenishment of the Interest Account.

#### Redevelopment Plan

The term "Redevelopment Plan" means the Amended Redevelopment Plan for the 1993 Victor Valley Redevelopment Project, including Amendments 1 through 4. The initial Redevelopment Plan for the 1993 Victor Valley Redevelopment Project was adopted on December 28, 1993 by Ordinance No. 2. The Redevelopment Plan was amended on December 28, 1994 by Ordinance No. 4 to allow VVEDA to collect tax increment revenues for up to forty-five years following the original adoption date. The Plan was amended again on June 11, 1997 by Ordinance No. 5 to change the base year to 1997-98. The 1998 Amendment to the Redevelopment Plan, adopted on April 22, 1998 by Ordinance No. 7, allowed for the

power of eminent domain in certain primarily nonresidential areas in the VVEDA Project Area, which were located within the jurisdiction of the Town of Apple Valley and the County unincorporated territory. The Fourth Amendment amended the Plan on July 12, 2000 to add certain territory within the jurisdictions of the Cities of Adelanto and Victorville as well as County unincorporated territory.

#### Reserve Account Deficiency

The term "Reserve Account Deficiency" means, as of any calculation date, the difference between the Reserve Account Requirement and the aggregate amount on deposit in the Reserve Account.

#### Reserve Account Requirement

The term "Reserve Account Requirement" means, in respect of any Bond Year as computed by the Authority, the least of (i) 10% of the aggregate original issue price of those series of Bonds any Bond of which is then secured by the Reserve Fund, (ii) 125% of the average Annual Debt Service for that and every subsequent Bond Year, or (iii) the Maximum Annual Debt Service.

#### S&P

The term "S&P" means Standard & Poor's, a division of McGraw-Hill Companies, New York, New York, or its successors.

#### SCLA

The term "SCLA" means the Southern California Logistics Airport, previously known as George Air Force Base.

#### Securities Depositories

The term "Securities Depositories" means: The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Notification Department, Fax (212) 855-7232 or such other addresses and/or such other securities depositories as the Authority may designate in writing to the Trustee.

#### Serial Bonds

The term "Serial Bonds" means Bonds for which no Mandatory Sinking Account Payments are provided.

#### Series

The term "Series," when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

#### State

The term "State" means the State of California.

### Supplemental Indenture

The term "Supplemental Indenture" means any indenture then in full force and effect which has been entered into by the Authority and the Trustee, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

### Tax Certificate

The term "Tax Certificate" means the Tax Certificate as to Arbitrage and the Provisions of sections 141-150 of the Internal Revenue Code of 1986, or similar document containing additional representations and covenants pertaining to the exclusion pursuant to section 103(a) of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, executed and delivered by the Authority in connection with the issuance of the Bonds.

### Term Bonds

The term "Term Bonds" means Bonds that are payable on or before their specified maturity dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

### Trustee

The term "Trustee" means such trustee at its principal corporate trust office in Los Angeles, California or such other place as designated by the Trustee, as may be appointed by the Authority and acting as an independent trustee with the duties and powers provided in the Indenture, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in the Indenture.

### Victorville Housing Pledge

The term "Victorville Housing Pledge" means the pledge by the City to the Authority of the housing set-aside revenues attributable to the City's territory within the VVEDA Project Area exclusive of SCLA and allocable to the City pursuant to the VVEDA JPA.

### Victorville Pledge

The term "Victorville Pledge" means the pledge by the City to the Authority of the remaining balance of tax increment revenues attributable to its territory and allocable pursuant to the VVEDA JPA after setting aside the amount required to be used for low and moderate income housing purposes.

### VVEDA

The term "VVEDA" means the Victor Valley Economic Development Authority, a joint powers authority duly organized and existing pursuant to the JPA Law.

### VVEDA JPA

The term "VVEDA JPA" means the Joint Exercise of Powers Agreement Creating the Victor Valley Economic Development Authority, as amended.



## VVEDA Project Area

The term “VVEDA Project Area” means the project area described in the Redevelopment Plan, known as the 1993 Victor Valley Redevelopment Project Area.

## Written Request of the Authority

The term “Written Request of the Authority” means an instrument in writing signed by the Chairman, the Executive Director or Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose and so certified in writing to the Trustee.

## **Pledged Tax Revenues; Creation of Funds**

Pledge of Pledged Tax Revenues. All Pledged Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Authority or the Trustee, are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Pledged Tax Revenues and such other money shall not be used for any other purpose while any of the Bonds remain Outstanding; subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture. Subject to the terms and conditions set forth in the Indenture, this pledge shall constitute a first lien on the Pledged Tax Revenues and such other money for the payment of the Bonds in accordance with the terms thereof.

Special Fund; Receipt and Deposit of Pledged Tax Revenues. There is continued a special fund to be known as the “Southern California Logistics Airport Authority Tax Allocation Bonds Special Fund” (the “Special Fund”), which shall be held by the Trustee. The Authority shall cause the transfer of all Pledged Tax Revenues to the Trustee for deposit in the Special Fund upon receipt by the Authority thereof. There shall not be deposited with the Trustee any taxes eligible for allocation to the Authority for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount that, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, is sufficient to discharge all Outstanding Bonds as provided in the Indenture.

The Authority covenants and agrees that all Pledged Tax Revenues deposited by the Authority with the Trustee in the Special Fund will be accounted for through and held in trust in the Special Fund, and the Authority shall have no beneficial right or interest in any of such money, except only as in the Indenture provided. All such Pledged Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Authority.

Expense Fund. All moneys in the Expense Fund shall be applied to the payment of costs and expenses incurred by the Authority in connection with the authorization, issuance and sale of the Bonds and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition executed by an officer of the Authority. Each such requisition shall be sequentially numbered and state the name and address of the person, firm or corporation to whom payment is due, the amount to be disbursed, the purposes for such disbursement and that such obligation has been properly incurred and is a proper charge against the Expense Fund. Upon receipt of such requisition, the Trustee is authorized to act thereon without further inquiry and shall not be responsible for the contents of such requisition. Upon the earlier of the payment in full of such costs and expenses (or the making of adequate provision for the payment thereof, evidenced by a Certificate of the Authority to the Trustee) or 180 days after delivery of the Bonds to the original purchaser thereof, any balance remaining in such Fund shall be transferred to the Authority to be used for capital expenditures, and pending such transfer and application, the moneys in such Fund may be

invested as permitted by the Indenture; provided, however, that investment income resulting from any such investment shall be retained in the Expense Fund. The Trustee shall establish and maintain an account within the Expense Fund for each Series of Bonds issued hereunder known as the "Series \_\_\_\_\_ Expense Account" and all proceeds of each such Series of Bonds deposited in the Expense Fund shall be held in the account established for such Series and shall be accounted for separately from all other amounts in the Expense Fund. Amounts in each such account shall be used for the purposes authorized for use of amounts in the Expense Fund.

Establishment and Maintenance of Accounts for Use of Moneys in the Special Fund. All moneys in the Special Fund shall be set aside by the Trustee in each Bond Year when and as received in the following respective special accounts within the Special Fund (each of which is created and each of which the Trustee agrees to cause to be maintained), in the following order of priority (except as otherwise provided in subsection (b) below):

- (1) Interest Account;
- (2) Reserve Account; and
- (3) Principal Account.

*Interest Account.* On or before each Interest Payment Date, the Trustee shall set aside from the Special Fund and deposit in the Interest Account an amount of money that, together with any other money then contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next Interest Payment Date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

*Reserve Account.* On or before each Interest Payment Date, the Trustee shall set aside from the Special Fund and deposit in the Reserve Account an amount of money (or other authorized deposit of security, as contemplated by the following paragraph) necessary to maintain a balance therein equal to the Reserve Account Requirement. No deposit need be made in the Reserve Account so long as there is on deposit therein an amount equal to the Reserve Account Requirement. All money in (or available to) the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account in the event of any deficiency at any time in such account, or for the purpose of paying the interest on the Bonds in the event that no other money of the Authority is lawfully available therefor, except that for so long as the Authority is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Account Requirement shall be transferred to the Interest Account. With regard to a draw on the Reserve Account, any available moneys on deposit in the Special Fund in an amount equal to the Reserve Account Deficiency (plus all interest which would have accrued on the amount of such Reserve Account Deficiency while on deposit in the Reserve Account) shall be transferred on the next Interest Payment Date and used to replenish the Reserve Account.

The Reserve Account Requirement may be satisfied by crediting to the Reserve Account moneys or a Qualified Reserve Account Credit Instrument or any combination thereof, which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Account Requirement. Upon deposit of a Qualified Reserve Account Credit Instrument, the Trustee shall transfer any excess amounts then on deposit in the Reserve Account into a segregated account of the Special Fund, which monies shall be applied either (i) to the payment within one year of the date of transfer of capital

expenditures of the Authority by a requisition of the Authority which shall contain a certification that such payment and use is permitted by law, or (ii) to the redemption of Bonds on the earliest succeeding date on which such redemption is permitted, and pending either such application shall be held either not invested or invested at the Written Request of the Authority in such property to produce a yield that is not in excess of the yield on the Bonds (The Trustee may conclusively rely on such Written Request complying with the yield limitation on such investment.); *provided, however*, that the Authority may by written direction to the Trustee cause an alternative use of such amounts if the Authority shall first have obtained a written opinion of nationally recognized bond counsel substantially to the effect that such alternative use will not adversely affect the exclusion pursuant to section 103 of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

*Principal Account.* In the Bond Year ending December 1, 2004, the Trustee shall set aside from the Special Fund and deposit in the Principal Account an amount of money that, together with the proceeds of refunding obligations or other moneys deposited by the Authority with the Trustee for such purpose, will be sufficient to pay the principal of the Bonds as the same becomes due. All moneys deposited in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at their maturity.

*Surplus.* After making the deposits required by paragraphs (a) through (c) above in any Bond Year, the Trustee shall transfer any amount remaining on deposit in the Special Fund to the Authority upon the Written Request of the Authority to be used for any lawful purpose of the Authority.

Investment of Moneys in Funds and Accounts. Upon the Written Request of the Authority received by the Trustee at least two (2) Business Days prior to the date of such investment, moneys in the Special Fund, the Interest Account, the Principal Account, the Expense Fund (and any account therein) or the Reserve Account shall be invested by the Trustee in Authorized Investments. In the absence of such instructions the Trustee shall invest in the Authorized Investments described in subparagraph (4) of the definition thereof. The obligations in which moneys in the Special Fund, the Interest Account or the Principal Account are so invested shall mature prior to the date on which such moneys are estimated to be required to be paid out hereunder. The obligations in which moneys in the Reserve Account are so invested shall be in obligations maturing no more than five years from the date of purchase by the Trustee or on the final maturity date of the Bonds, whichever date is earlier; provided, however, that (i) an obligation which may be redeemed at par at the option of the Trustee on the Business Day prior to each Interest Payment Date during which such obligation is outstanding and (ii) an Investment Agreement which permits the Trustee to withdraw invested amounts, on any Business Day, on no more than 10 Business Days' notice, without penalty, to be used as required by the Indenture, may have any maturity. Any interest, income or profits from the deposits or investments of all funds and accounts (except the Expense Fund) shall be deposited in the Special Fund. For purposes of determining the amount on deposit in any fund or account held hereunder, all Authorized Investments credited to such fund or account shall be valued at least annually at market value (excluding accrued interest and brokerage commissions, if any). Except as otherwise provided in the Indenture, Authorized Investments representing an investment of moneys attributable to any fund or account and all investment profits or losses thereon shall be deemed at all times to be a part of said fund or account. Absent negligence, bad faith or willful misconduct by the Trustee, the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture.

All earnings on amounts in the Expense Fund shall remain in such funds and accounts. The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent

permitted by law. The Trustee will furnish the Authority with periodic cash transaction statements made by the Trustee hereunder.

Valuation and Disposition of Investments. The Authority covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture shall be acquired, disposed of, and valued at least annually at market value.

### **Covenants of the Authority**

Punctual Payment. The Authority will punctually pay the interest on and principal of and redemption premiums, if any, to become due with respect to the Bonds, but only from Pledged Tax Revenues, in strict conformity with the terms of the Bonds and of the Indenture and will faithfully satisfy, observe and perform all conditions, covenants and requirements of the Bonds and of the Indenture.

Against Encumbrances. Other than as provided in the Indenture, the Authority will not mortgage or otherwise encumber, pledge or place any charge upon any of the Pledged Tax Revenues, except as provided in the Indenture, and will not issue any obligation or security superior to or on a parity with the Bonds payable in whole or in part from the Pledged Tax Revenues.

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Authority will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Authority, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Management and Operation of Properties. The Authority will manage and operate all properties owned by the Authority and comprising any part of the Project in a sound and business-like manner and in conformity with all valid requirements of any governmental agency relative to the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Payment of Claims. The Authority will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Authority or upon the Pledged Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds; provided that nothing contained in the Indenture shall require the Authority to make any such payments so long as the Authority in good faith shall contest the validity of any such claims.

Books and Accounts; Financial and Project Statements. The Authority will keep proper books of record and accounts, separate from all other records and accounts of the Authority, in which complete and correct entries shall be made of all transactions relating to the Project. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than ten percent (10%) of the aggregate principal amount of the Bonds then Outstanding or their representatives authorized in writing.

The Authority will prepare and file with the Trustee annually as soon as practicable, but in any event not later than one hundred eighty (180) days after the close of each Fiscal Year, so long as any Bonds are Outstanding, an audited financial statement relating to the Pledged Tax Revenues and all funds or accounts established pursuant to the Indenture for the preceding Fiscal Year prepared by an

Independent Certified Public Accountant, showing the balances in each such fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund during such Fiscal Year and the balances in each such fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the Authority and the Trustee have complied with the provisions of the Indenture as it relates to such funds. The Trustee shall have no responsibility to review any such statement submitted to it. The Authority will furnish a copy of such audited financial statement to any Owner upon written request and will distribute a reasonable number of copies thereof as may be required to investment bankers, security dealers and others interested in the Bonds. The Trustee shall provide such statements with regard to any funds held by the Trustee under the Indenture to the Authority as the Authority may reasonably require to comply with the terms of the Indenture.

Protection of Security and Rights of Owners. The Authority will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Authority, such Bonds shall be incontestable by the Authority.

Payment of Taxes and Other Charges. The Authority will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Authority or any properties owned by the Authority in the VVEDA Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing contained in the Indenture shall require the Authority to make any such payments so long as the Authority in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

Financing the Project. The Authority will commence the financing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

Taxation of Leased Property. Whenever any property in the Project is redeveloped by the Authority and thereafter is leased by the Authority to any person or persons, or whenever the Authority leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest.

Disposition of Property in the VVEDA Project Area. Except as provided below, the Authority will not authorize the disposition of any real property in the VVEDA Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such dispositions, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall comprise more than ten percent (10%) of the land area in the VVEDA Project Area. If the Authority proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the Indenture, shall comprise more than ten percent (10%) of the land area in the VVEDA Project Area, it shall cause to be prepared a Consultant's Report on the effect of such proposed disposition. If the Consultant's Report concludes that the Pledged Tax Revenues will not be materially reduced by such proposed disposition, the Authority may proceed with such proposed disposition. If the Consultant's Report concludes that Pledged Tax Revenues will be materially reduced by such proposed disposition, the Authority shall not proceed with such proposed disposition unless, as a

condition precedent to such proposed disposition, the Authority shall require that such new owner or owners either:

(1) Pay to the Authority, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Authority as Pledged Tax Revenues if such property were assessed and taxed in the same manner as privately-owned non-exempt property, which payment shall be made within thirty (30) days after taxes for each year would become payable to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or

(2) Pay to the Authority a single sum equal to the amount estimated and certified to the Authority by an Independent Redevelopment Consultant to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Bonds, less a reasonable discount value.

All such payments to the Authority in lieu of taxes shall be treated as Pledged Tax Revenues and shall be transferred by the Authority to the Trustee to be deposited by the Trustee in the Special Fund.

Amendment of Redevelopment Plan. If the Authority proposes to amend the Redevelopment Plan, it shall cause to be prepared a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that Pledged Tax Revenues will not be materially reduced by such proposed amendment, the Authority may adopt such amendment. If the Consultant's Report concludes that Pledged Tax Revenues will be materially reduced by such proposed amendment, the Authority shall not adopt such proposed amendment. The Authority shall notify the Trustee of any adopted amendment and shall furnish the Trustee with a copy of the Consultant's Report. The Trustee shall be entitled to rely upon such Consultant's Report and shall have no duty to verify the information or statements set forth therein or the validity of the amendment.

Pledged Tax Revenues. The Authority shall comply with all requirements of the Law to insure the allocation and payment to it of the Pledged Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of San Bernardino County.

Further Assurances. The Authority shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Tax Covenants. The Authority covenants that it shall not use, and shall not permit the use of, and shall not omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Bond to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes.

Agreements with Taxing Agencies. So long as any Bonds are Outstanding, the Authority shall not enter into any agreement or amend any existing agreement with any taxing agency entered into (i) pursuant to Section 33401 of the Law or (ii) that operates as a waiver of the Authority's right to receive Pledged Tax Revenues under the Redevelopment Plan, unless the Authority's obligations under such agreement expressly are made subordinate and junior to the Authority's obligations under the Indenture and the Bonds.

Annual Review of Tax Revenues. The Authority covenants that it will annually review the total amount of Pledged Tax Revenues remaining available to be received by the Authority under the

Redevelopment Plan's cumulative tax increment limitation, as well as future cumulative Annual Debt Service. The Authority will not accept Pledged Tax Revenues greater than Annual Debt Service, in any year, if such acceptance will cause the amount remaining under the tax increment limit to fall below remaining cumulative Annual Debt Service, except for the purpose of depositing such revenues in escrow for the payment of interest on and principal of and redemption premiums, if any, on the Bonds.

### **The Trustee**

The Authority may at any time, but only prior to an Event of Default, and only upon thirty (30) days written notice, at its sole discretion remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto: provided that any such successor shall be a corporation, bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), including for such purposes the combined capital and surplus of any parent bank holding company, and subject to supervision or examination by federal or state authority. If such corporation, bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such corporation, bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the Authority. Any successor trustee appointed hereunder shall give notice of such appointment to the Owners, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required under the Indenture.

The Authority shall indemnify and save the Trustee, its officers, employees, directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Project, (ii) any breach of default on the part of the Authority in the performance of any of its obligations under the Indenture and any other agreement made and entered into for purposes of the Project, (iii) any act or omission of the Authority or of any of its agents, assignees or licensees with respect to the Project, (iv) the acquisition, construction, installation and equipping of the Project or the authorization of payment of delivery costs or acquisition and construction costs, (v) the exercise and performance by the Trustee of any of its powers and duties hereunder, or (vi) the offering and sale of the Bonds or the distribution of any official statement or other offering circular utilized in connection with the sale of the Bonds; provided, that the Authority shall not be liable for actions caused by the Trustees' own negligence or willful misconduct. The Trustee's rights to indemnification and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds. The Trustee shall not be liable for the sufficiency of collection of any Pledged Tax Revenues or other moneys required to be paid to it under the Indenture (except as provided in the Indenture), or its right to receive moneys pursuant to the Indenture.

The Trustee's rights to receive compensation and reimbursement of expenses under the Indenture shall be secured by a lien on the Pledged Tax Revenues, which lien shall be prior to the lien in favor of the Owners for payment of the principal of, premium, if any, and interest on the Bonds.

### **Amendment of the Indenture**

Amendment by Consent of Owners. The Indenture and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Authority to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the Indenture of any Bond, without the express written consent of the Owner of such Bond, or (2) permit the creation by the Authority of any mortgage, pledge or lien upon the Pledged Tax Revenues superior to the pledge and lien created in the Indenture for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Indenture which shall become binding upon execution, without the consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Authority;

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture, and which shall not adversely affect the interest of the Owners;

(c) To provide for the issuance of any Additional Obligations, and to provide the terms and conditions under which such Additional Obligations may be issued, subject to and in accordance with the provisions of Article IV;

(d) To modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(e) To maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes (except with respect to the Bonds or any other Series of Bonds which the Authority certifies to the Trustee are not intended to qualify for such exclusion);

(f) To the extent necessary to obtain a Bond Insurance Policy, to obtain a rating on the Bonds or in connection with satisfying all or a portion of the Reserve Account Requirement by crediting a letter of credit or Bond Insurance Policy to the Reserve Account; or



(g) For any other purpose that does not materially adversely affect the interests of the Owners.

Disqualified Bonds. Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action in the Indenture provided for, and shall not be entitled to consent to, or take any other action in the Indenture provided for; provided, however, that for purposes of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held will be disregarded. Upon request of the Trustee, the Authority and the City shall specify to the Trustee those Bonds disqualified pursuant to the terms and conditions of the Indenture and the Trustee may conclusively rely on such certificate.

Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for such purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent. The provisions of this article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Opinion of Counsel. The Trustee may conclusively accept an opinion of nationally recognized bond counsel to the Authority that an amendment of the Indenture is in conformity with the provisions of this Article.

### **Events of Default and Remedies of Owners**

Events of Default and Acceleration of Maturities. If one or more of the following events (called "Events of Default") shall happen, that is to say:

(a) If default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) If default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(c) If default shall be made by the Authority in the observance of any of the agreements, conditions or covenants on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of 60 days after the Authority shall have been given notice in writing of such default by the Trustee; provided, however, that such default shall not constitute an Event of Default hereunder if the Authority shall commence to cure such default within said 60-day period and thereafter diligently and in good faith proceed to cure such default within a reasonable period of time; or

(d) If the Authority shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property;

then, and in each and every such case during the continuance of such event of default, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, shall, by notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Authority shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest at the rate of interest which would have been paid on such overdue principal on such overdue installments of principal and interest, and any fees and expenses owed to the Trustee, including attorneys fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All money in the funds and accounts provided for in the Indenture upon the date of the declaration of acceleration by the Trustee as provided in the Indenture, and all Pledged Tax Revenues thereafter received by the Authority hereunder, shall be transmitted to the Trustee and shall be applied by the Trustee in the following order:

First, to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of this article, including reasonable compensation to its agents and counsel, to the payment of any other amounts then due and payable to the Trustee, including any predecessor trustee, with respect to or in connection with the Indenture, whether as compensation, reimbursement, indemnification or otherwise, and to the payment of the costs and expenses of the Owners in providing for the declaration of such event of default, including reasonable compensation to their agents and counsel;

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate of interest which would have been paid on such over due principal, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal, ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Other Remedies of Owners. Any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the Authority and any of the members, officers and employees of the Authority, and to compel the Authority or any such members, officers or employees to perform and carry out their duties under the Law and their agreements with the Owners as provided in the Indenture;

(b) By suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Owners; or

(c) Upon the happening of an Event of Default, by a suit in equity to require the Authority and its members, officers and employees to account as the trustee of an express trust.

Non-Waiver. Nothing in this article or in any other provision of the Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Indenture, out of the Pledged Tax Revenues pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner or the Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the Trustee, the Authority and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners, and the Trustee is appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact; provided, however, the Trustee shall have no duty or obligation to enforce any right or remedy unless it has been indemnified by the Owners from any liability or expense including without limitation fees and expenses of its attorneys.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Law or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender or indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture, the Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

### **Defeasance**

Discharge of Indebtedness. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of Pledged Tax Revenues, and all covenants, agreements and other obligations of the Authority to the Owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute at the Written Request of the Authority, and its expense, and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall, after payment of amounts due the Trustee hereunder, pay over or deliver to the Authority all money or securities held by them pursuant to the Indenture which are not required for the payment of the interest due on and the principal of such Bonds.

Bonds for the payment of which money shall have been set aside (through deposit by the Authority or otherwise) to be held in trust by the Trustee for such payment at the maturity or redemption date thereof shall be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in the first paragraph of this section.

Any Outstanding Bonds shall prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if (1) there shall have been deposited with the Trustee, or another fiduciary or escrow agent, either money in an amount which shall be sufficient, or Federal Securities (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the interest due and to become due on such Bonds on and prior to the maturity date thereof or such earlier redemption date as shall be irrevocably established, and the principal of and redemption premium, if any, on such Bonds (the sufficiency of such amounts to be appropriately verified) and (2) the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (1) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or earlier redemption date upon which money is to be available for the payment of the principal of such Bonds.

Neither Federal Securities nor money deposited with the Trustee pursuant to this section nor interest or principal payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of such Bonds; provided that any cash received from such interest or principal payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested at the written direction of the Authority in Federal Securities maturing at times and in amounts sufficient to pay when due the interest on and principal of such Bonds on and prior to such maturity date thereof, and interest earned from such reinvestments shall be deposited in the Special Fund. For the purposes of this section, Federal Securities shall mean and include only such securities as are not subject to redemption prior to their maturity.

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## APPENDIX B

### FORM OF PROPOSED OPINION OF BOND COUNSEL

November 13, 2003

Southern California Logistics Airport Authority  
14343 Civic Drive  
Victorville, California 92392-2303

Southern California Logistics Airport Authority  
Tax Allocation Parity Bonds  
(Southern California Logistics Airport Project)  
Series 2003

Ladies and Gentlemen:

In our role as Bond Counsel to the Southern California Logistics Airport Authority (the "Authority"), we have examined certified copies of the proceedings taken in connection with the issuance by the Authority of \$45,120,000 amount of its Tax Allocation Parity Bonds (Southern California Logistics Airport Project), Series 2003 (the "Bonds"). We have also examined supplemental documents furnished to us and have obtained such certificates and documents from public officials as we have deemed necessary for the purposes of this opinion. The Bonds are issued under the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California), as in existence on the Closing Date, the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State, and pursuant to an Indenture, dated as of November 1, 2003 (the "Indenture"), by and between the Authority and BNY Western Trust Company, as trustee (the "Trustee"), for the purpose of (i) financing public capital improvements benefiting the Southern California Logistics Airport, (ii) financing certain low and moderate income housing projects, (iii) funding a Reserve Account for the Bonds, and (iv) paying costs of issuance of the Bonds. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture.

The Bonds are issued as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. The Bonds are dated, and bear interest from, the date of their initial delivery. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2004.

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as provided in the Indenture.

Based upon the foregoing, we are of the opinion that:

(i) The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming such Indenture constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, and the Bonds are entitled to the benefits of the Indenture.

(ii) The proceedings for the issuance of the Bonds have been taken in accordance with the laws and Constitution of the State of California, and the Bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by the purchasers, constitute legal and binding special obligations of the Authority enforceable in accordance with their terms.

(iii) The Bonds are secured by a pledge of the Pledged Tax Revenues and all moneys in the Special Fund and in the funds and accounts so specified and provided for in the Indenture, subject to the application thereof on the terms and conditions as set forth in the Indenture.

(iv) The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issue of the Bonds. The Authority has covenanted to maintain the exclusion pursuant to section 103(a) of the Code of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In our opinion, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenant, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes.

We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by certain corporations may affect the computation of the alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of such corporations (75 percent of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)).

Except as stated in the preceding three paragraphs, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other bond counsel.

The foregoing opinions are qualified to the extent that the enforceability of the Indenture and the Bonds, respectively, may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or as to the availability of any particular remedy.



Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours.

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## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration

in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners well 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, 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 nor its nominee, the Authority or the Trustee, 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 the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

**APPENDIX D**  
**REPORT OF FISCAL CONSULTANT**

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Southern California Logistics Airport Authority

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# Fiscal Consultant's Report

October 8, 2003

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Southern California Logistics Airport Authority  
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# Fiscal Consultant's Report

Southern California Logistics Airport Authority

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# **Fiscal Consultant's Report**

Southern California Logistics Airport Authority

## **Introduction**

This Fiscal Consultant's Report ("Report") has been prepared at the request of the Southern California Logistics Airport Authority ("SCLAA"). It is our understanding that SCLAA will employ this Report to substantiate available tax increment and certain other revenue generated within the Victor Valley Redevelopment Project Area ("Project Area"). The revenue is to fund debt service for SCLAA's proposed Tax Allocation Bonds, Series 2003 ("Bonds").

SCLAA is a joint powers authority comprised of the Victorville Redevelopment Agency and the City of Victorville. It is successor in interest to the Victorville Valley Economic Development Authority ("VVEDA") with respect to all of the rights and obligations associated with the development of the properties comprising former George Air Force Base.

The following tables have been incorporated into this Report:

Table 1:	Redevelopment Plan Limits
Table 2:	Base Year Valuation
Table 3:	Historic Assessed Valuation and Tax Increment Receipts
Table 4:	Summary of Agreement Terms
Table 5:	Tax Increment Revenue Projections

Projected assessed values and tax increment revenues presented in this Report are based upon the following assumptions:

1. Historical growth trends;
2. Trended growth in valuation as permitted by Article XIIA of the California Constitution ("Proposition 13"), and;
3. Assessment and apportionment procedures of the County of San Bernardino ("County").

All tax increment revenue projections have been conservatively estimated to reduce the possibility of overstating future tax increment revenue.

## Background

### **Creation of Victor Valley Economic Development Authority ("VVEDA")**

On January 5, 1989, The Secretary of Defense announced the planned closure of George Air Force Base, California (the "Base"), pursuant to the Base Closure and Realignment Act (Public Law 100-526). The Base subsequently closed December 15, 1992.

Concerned about the potential negative economic impacts of the impending closure, elected officials of the County of San Bernardino, the Cities of Adelanto, Hesperia and Victorville, and the Town of Apple Valley held a series of organizational meetings and established a joint powers authority, the Victor Valley Economic Development Authority, to set in motion a joint reuse planning effort. An agreement was finalized in October 1989 to which the County of San Bernardino, the City of Hesperia, the City of Victorville and the Town of Apple Valley became signatories (the "Member Jurisdictions" or "Participating Jurisdictions"). The City of Adelanto elected not to participate in the joint reuse planning effort at that time although they have subsequently joined.

In recognition of the impact that closure of the Base would have on the surrounding communities, the California State Legislature passed, and the Governor signed, Assembly Bill 419 in September 1989 ("Eaves Bill"). This legislation amended the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.; hereinafter also referred to as "Redevelopment Law" or "CRL") and granted special authority to permit the redevelopment of George Air Force Base and other lands "in proximity to" the military facility.

Among the special provisions of the amending legislation was the granting of authority to create a joint powers agency "which shall have and exclusively exercise powers of an agency in furtherance of the redevelopment of a project area approved by the joint powers agency" (Section 33492.40(b) formerly Health and Safety Code 33020.5). Subsequently, VVEDA amended its operating agreement to reflect its recognition of and adoption of the provisions of the Eaves Bill and re-established itself as a separate joint powers agency, retaining the same member jurisdictions.

The Victor Valley Economic Development Authority was formed pursuant to Government Code Section 6500 et seq., and authorized by Section 33492.40(b) of the CRL to secure a redevelopment project for

the properties within, immediately adjacent to or in proximity to the former George Air Force Base. VVEDA's purpose is to plan for the use and reuse of the Base and to acquire, own, maintain and operate it as a commercial and general aviation airport. The reuse of the Air Base for civil aviation and non-aviation uses is essential to the region's retention of jobs and its future economic stability and growth.

### **Redevelopment Plan and Amendments**

VVEDA adopted the initial Redevelopment Plan for the 1993 Victor Valley Redevelopment Project on December 28, 1993 by Ordinance No. 2. Ordinance No. 4 first amended the Redevelopment Plan on December 28, 1994. Amendment No. 1 allowed VVEDA to collect tax increment revenues for up to forty-five years following the Redevelopment Plan's adoption date. Ordinance No. 5 amended the Plan for the second time on June 11, 1997. Amendment No. 2 implemented special legislation, which was subsequently updated by new special legislation changing the base year to fiscal year 1997-98. The 1998 Amendment No. 3 to the Redevelopment Plan amended the Plan on April 22, 1998 by Ordinance No. 7 and allowed for the power of eminent domain in certain primarily nonresidential areas in the Project Area within portions of the San Bernardino County unincorporated territory and portions of the Town of Apple Valley.

Amendment No. 4 became effective July 12, 2000. This amendment added approximately 15,705 acres (excluding public rights-of-way) in the Cities of Adelanto and Victorville and the County of San Bernardino to the original 44,813 acres for a total of 60,518 acres.

### **Redevelopment Plan Limitations**

Amendment No. 4 also established the new plan limits pursuant to Redevelopment Law. The time limitations presented by Table 1 involve VVEDA's ability to incur debt, undertake Plan activities, and collect tax increment revenues. CRL Section 33492.40(d) allowed VVEDA to make a determination that the institution of a bond limit and tax increment limit would make it impractical to achieve successful reuse of the Base and redevelopment of the Project Area. For this reason, there is no limit on the amount of bonded indebtedness, or on the amount of tax increment that may be received.

<b>TABLE 1</b>		
<b>REDEVELOPMENT PLAN LIMITS</b>		
<b>Category</b>	<b>Years</b>	<b>Date</b>
<b>TIME LIMITS</b>		
Incur Debt	20 years	July 12, 2020
Plan Effectiveness	30 years	July 12, 2030
Increment Collection	45 years	July 12, 2045
<b>FINANCIAL LIMITS</b>		
Bond Indebtedness	No Limit	
Tax Increment	No Limit	

## General Assumptions in the Revenue Projections

### Assessed Valuation

The Redevelopment Plan for the Project Area provides that VVEDA may collect tax increment to finance project implementation. Tax increment revenue is generated from increases in the current year total assessed value above the base year value. Table 2 presents a summary of the Base Year Value provided by the County Auditor-Controller (as of 8/03) broken out by each Member Jurisdiction's share.

<b>TABLE 2</b>	
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>	
Base Year Values	
<i>Member Jurisdiction</i>	
Victorville	1,166,037,800
SCLA	7,854,300
	<hr/>
	1,173,892,100
Hesperia	122,203,000
Apple Valley	436,031,300
San Bernardino County	51,724,800
	<hr/>
TOTAL 1993 PROJECT AREA BASE YEAR (1997-98)	1,783,851,200
Amendment Area No. 4	24,830,772
	<hr/>
TOTAL PROJECT AREA BASE YEAR	1,808,681,972

In August of each year, the County Auditor-Controller provides a report for the Project Area that delineates the current year and base year values. The current year (fiscal year 2003-04) total assessed value for the Project Area is \$2,664,582,400 of which tax increment revenue is generated from the incremental assessed value in excess of the Project Area's base year value of \$1,808,681,972.

Table 3 presents historical assessed values and actual tax increment receipts for fiscal years 1999-00 through 2003-04. The assessed valuations for 1999-00 are not included because the published values were modified extensively during the course of 1999-00 and the auditor never published revised values. The actual revenues collected for 1999-00 are shown on Table 3.

The Auditor Controller's valuations for the 4<sup>th</sup> Amendment Area indicate that the base year exceeds the 2003-04 year values so it is likely that no increment will be generated.

### **Growth Assumptions**

The following assumptions have been made in the tax increment projections related to the secured roll, unsecured roll, unitary utility, and new development:

- a. Secured Roll. The projections assume a 2% annual increase in the secured assessed valuation, which is the maximum annual increase permitted by Proposition 13. Since its passage in 1976, there have been four occurrences when the inflationary adjustment was less than 2%. This occurred once in the early 1980s, and in fiscal years 1995-96, 1996-97, and 1999-00; for the latter fiscal years, actual increases imposed by Proposition 13 were 1.19%, 1.11%, and 1.85%, respectively. However, since real estate values have stabilized, the projections assume a 2% inflationary growth.
- b. Unsecured Roll. Unsecured values are not subject to inflationary increases and are instead carried at actual value. The High Desert Power Project represents the primary component of the unsecured roll. The values associated with the Power Plant are discussed in more detail below. Although the growth of unsecured valuations will continue to vary from one year to the next, a 2% increase in unsecured valuations has been assumed in the entire Project Area over projection period.
- c. Utility Roll. The secured utility roll is also assumed to increase at a 2% annual rate.

- d. Changes in Ownership. Although property sales that occur in the Project Area after January 1, 2003 will be reflected in the 2004-05 assessed values, no increase in assessed values to reflect these property sales is included in the tax increment projections.
  
- e. New Development. Although new development that occurs in the Project Area after January 1, 2003 will be reflected in the 2004-05 assessed values, no increase in assessed values to reflect new development is included in the tax increment projections

### **Assessment Appeals**

Property taxpayers that wish to dispute the value of their property may file an assessment appeal with the County Assessor. In most cases, an assessment appeal is filed because the applicant believes that present market conditions cause the property to be worth less than its assessed value. Because of the large number of appeals filed in San Bernardino County in the mid-1990's, the County Assessor substantially decreased values on a number of properties in the Project Area causing the values of the Project Area to fall below the initial 1993 Base Year Value. The effect of these appeals resulted in legislation to change the Base Year to 1997-98. Since that time, appeals have decreased substantially and have had little effect in values in the Project Area.

FISCAL CONSULTANT'S REPORT  
SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

**TAB. E 3**  
**VICTOR VALLEY REDEVELOPMENT PROJECT AREA**  
HISTORICAL ASSESSED VALUATION AND TAX INCREMENT RECEIPTS

	1999-00		2000-01		% Growth Orig Area	2001-02			% Growth Orig Area
	Original Area		Original Area			Original Area	4th Amend Area	Combined	
<b>Assessed Valuations</b>									
Local Secured			1,713,326,715			1,761,046,387	21,988,370	1,783,034,757	
Secured Utility			2,619,199			2,670,419	-	2,670,419	
Unsecured			106,265,850			113,245,888	36,042	113,281,930	
			1,822,211,764		3.00%	1,876,962,694	22,024,412	1,898,987,106	14%
1997-98 Base Year (Per Original & Annual A/C Reports)			(1,783,847,892)			(1,786,171,500)	(24,830,772)	(1,811,002,272)	
Incremental Value			38,363,872			90,791,194	(2,806,360)	87,984,834	
<b>Est Increment @1%</b>			383,639					879,848	
<b>Actual Allocation Per County A/C</b>	240,832		513,824			1,108,971		1,108,971	
<b>Actual Revenue Received</b>	157,956		672,207			1,272,607		1,272,607	
Distribution of Revenue Received									
<b>Member Jurisdictions</b>					% of Total		% of Total		
Low Mod Housing Fund	48,166		102,765		20%	221,794		20%	
<b>SCLA</b>	<b>61,182</b>		<b>110,079</b>		21%	234,068		21%	
Victorville			28,493		6%	85,784		8%	
Apple Valley			4,185		1%	42,013		4%	
Hesperia	7,210		14,660		3%	26,424		2%	
County	43,982		59,736		12%	79,846		7%	
Prior Contribution Fund	25,597		53,537		10%	117,034		11%	
	176,147		373,455			806,963			
Pass Throughs to Affected Districts	64,685		140,369		27%	302,006		27%	
	240,832		513,824		100%	1,108,971		100%	

	2002-03			% Growth Orig Area	2003-04		
	Original Area	4th Amend Area	Combined		Original Area	4th Amend Area	Combined
<b>Assessed Valuations</b>							
Local Secured	1,873,929,605	22,230,116	1,896,159,721		2,541,480,200	22,622,900	2,564,103,100
Secured Utility	2,634,592	-	2,634,592		-	-	-
Unsecured	264,618,020	27,957	264,645,977		100,445,100	34,200	100,479,300
	2,141,182,217	22,258,073	2,163,440,290	23%	2,641,925,300	22,657,100	2,664,582,400
1997-98 Base Year (Per Original & Annual A/C Reports)	(1,786,171,500)	(24,830,772)	(1,811,002,272)		(1,783,851,200)	(24,830,772)	(1,808,681,972)
Incremental Value	355,010,717	(2,572,699)	352,438,018		858,074,100	(2,173,672)	855,900,428
<b>Est Increment @1%</b>	3,550,107	-	3,524,380		8,580,741	-	8,559,004
<b>Actual Allocation Per County A/C</b>	2,597,828	-	2,597,828		-	-	-
<b>Actual Revenue Received</b>	3,139,285	-	3,139,285		-	-	-
Distribution of Revenue Received							
<b>Member Jurisdictions</b>		% of Total			Not available		
Low Mod Housing Fund	519,566	20%					
<b>SCLA</b>	<b>806,663</b>	<b>31%</b>					
Victorville	215,164	8%					
Apple Valley	90,327	3%					
Hesperia	41,935	2%					
County	37,127	1%					
Prior Contribution Fund	192,277	7%					
	1,903,049						
Pass Throughs to Affected Districts	694,779	27%					
	2,597,828	100%					

## **Tax Increment Revenue Sharing Agreements**

### **Taxing Entity Payments**

#### **Payments Required by the Amended Redevelopment Plan**

Section 703 of the Amended Redevelopment Plan provides that the following taxing entities are excluded from the definition of Tax Increment and therefore will receive 100% of their share of tax increment: Apple Valley Fire Protection District; Mojave Water Agency; Baldy Mesa County Water District; Mojave River County Water District; Apple Valley Park District; and Hesperia Park District. Although the Plan envisioned that the County Auditor-Controller would make these payments prior to distributing tax increment to VVEDA, this has not been the practice and instead the VVEDA treasurer makes payments to these entities.

The Plan also provides for the Cities of Victorville, Apple Valley and Hesperia to receive tax increment generated from application of their City entities tax rate to the portion of the Project Area within their city's jurisdiction that exceeds 5.2935%. VVEDA retains any revenue generated by the first 5.2935% of the city's tax rate. The County of San Bernardino is also paid increment generated by the portion of their tax rate that exceeds 5.2935% and VVEDA retains revenue from the first 5.2935%.

#### **CRL Section 33401 Payments**

Prior to 1994, CRL Section 33401 allowed redevelopment agencies to pay to any other entity collecting property taxes within the redevelopment project area a portion of tax increment revenues to alleviate any financial burden related to the redevelopment project. VVEDA entered into such agreements with the County Superintendent of Schools, Adelanto Elementary School District, Victorville Elementary School District, Oro Grande Elementary School District, Victor Valley High School District, Apple Valley Unified School District, Hesperia Unified School District, and Victor Valley Community College District. Pursuant to these agreements the County Superintendent receives 100% of their share of tax increment revenue, and all other districts receive 32.5% of their share of tax increment revenue.



### **CRL Section 33607.5 Payments**

The 4<sup>th</sup> Amendment Area is subject to statutory pass through payments required by CRL Section 33607.5. Because any tax increment generated by the 4<sup>th</sup> Amendment has not been included in the revenue projections presented in this Report, these payments are also not included.

### **Distribution of Tax Increment**

The Member Jurisdictions entered in the "Fourth Amended and Restated Joint Exercise of Powers Agreement Creating Victorville Economic Development Authority" in June 2000. This agreement provides that all tax increment generated by the former GAFB parcels (after deduction of the pass through payments discussed above) will be used on GAFB with the understanding that Victorville will set aside 20% thereof for the low and moderate-income housing fund. For the portion of the Project Area within each Member Jurisdiction's territory, 20% must be allocated to that jurisdiction's housing fund. Of the balance: 40% is allocated to the Member Jurisdiction for use in the Member's territory; 40% is allocated for used on the GAFB parcels; 20% is placed into a separate reimbursement fund to repay Prior Contributions (start-up funds), and once paid, to reimburse Member Contributions (operating funds contributed in excess of that jurisdiction's stated share). For the City of Adelanto, the shares are instead 50% to GAFB parcels, 25% to Adelanto territory and 25% to reimburse VVEDA for prior expenses and when this is repaid, this 25% goes to Adelanto.

**TABLE 4**

**SUMMARY OF AGREEMENT TERMS**

<i>Pursuant to Section 703 of Plan</i>
<p><b>Taxing Entities excluded from Tax Increment definition:</b> Apple Valley Fire Protection District (WF01) Mojave Water Agency (WY20) Baldy Mesa County Water District (VWW05) Mojave River County Water District (VW02) Apple Valley Park District (VP01) Hesperia Park District (VP02)</p> <p><b>City Member Share to VVEDA use (Section 703(b)(1)(a))</b> Victorville - 5.2935% to VVEDA from increment generated within its boundaries Apple Valley - same Hesperia - same <i>This means that the remainder of each city's 1% share gets passed through to the City</i></p> <p><b>County of San Bernardino</b> 5.2935% to VVEDA from increment generated in unincorporated areas <b>AND</b> 5.2935% to VVEDA from municipally incorporated areas</p>
<i>Pursuant to School Pass Thru Agreements</i>
<p>Tax Increment excludes over-ride rates, unitary utility revenue. State subventions (Homeowner)</p> <p>Low/mod is not deducted prior to calculation of payment</p> <p>Districts get 32.5% of their share (except Supt of Schools)- may deposit into Dist Capital Fund held by VVEDA Supt of Schools gets 100% of their share If deposits not made within 30 Days of receipt, interest rate of 1% per 30 day period</p> <p>Payments shall not be subordinate to VVEDA bonds &amp; indebtedness</p>
<i>Pursuant to JPA Agreement</i>
<p>All GAFB generated Tax Increment for use on GAFB with understanding that Victorville will set aside 20% thereof for low/mod</p> <p><i>97/98 &amp; 98/99 increment be used on GAFB (no longer applicable)</i></p> <p>20% of Each Part Jur TI allocated for low/mod - and allocated to each Member to be used in its own portion of the PA</p> <p>Remaining Balance of Each Participating Jurisdictions' Tax Increment: 40% allocated for use in such Members Territory 40% allocated for use on GAFB parcels 20% placed into separate reimbursement fund to pay Prior Contributions and once paid, to pay reimburse Member Contributions Once Prior &amp; Member Contributions are reimbursed, then TI is 50%:50% GAFB:Member</p> <p>For Adelanto, 50% to GAFB; 25% to Adelanto territory; 25% reimburse Authority and when paid off, this 25% goes to Adelanto</p>

## **Developer Agreement Payments**

Based on discussions with SCLAA staff, it has been determined that SCLAA has not entered into any disposition and development agreements nor owner participation agreements that require SCLAA to make payments from tax increment revenue.

## **Tax Increment Revenue Projections**

Table 5 presents the tax increment revenue projections for the Project Area, based upon the assumptions described in this Report

### **High Desert Power Ground Lease and Development Agreement**

SCLAA has entered into a ground lease and development agreement with High Desert Power Trust ("HDPT") to effectuate development of a minimum 750-megawatt electric generating power plant. Section 2.02 of the agreement provides that, beginning three years from the agreement (2/2004), if SCLAA is not receiving net tax increment revenues of at least \$2,000,000 annually from the power plant development, HDPT will pay SCLAA "an amount equal to the difference between the amount of tax increment revenues that SCLAA has actually received in such Lease Years as tax increment revenues attributable to the Project, exclusive of pass through payments to affected taxing entities, and \$2,000,000" (the "Additional Revenue") provided that the maximum amount of the Additional Revenue in any given Lease Year shall not exceed \$1,000,000.

Staff of the State Board of Equalization ("SBE") has confirmed that the 2003-04 valuation assigned to the power plant is \$473.4 million. This value is based on the SBE's calculation of the construction value in place as of January 1, 2003. Valuation of \$473.4 million will result in gross property taxes of approximately \$4.7 million; therefore, the net tax increment revenues generated by the power plant starting in 2003-04 will exceed \$2,000,000 so the projections assume no Additional Revenue payments will be triggered.

Developer of the power plant, Constellation Power Source, Inc. ("Constellation") has entered into a Master Power Purchase and Sale Agreement with the State of California Department of Water Resources ("CDWR") under which the Power Plant will deliver energy to the State system. The delivery period is for seven years and nine months. The price CDWR will pay is (a) \$12,100,000 per month as a "capacity

payment”; (b) \$2.25 MWh for each MWh of delivered energy as a “variable operation and maintenance cost”; and (c) a monthly fuel cost.

RSG contacted the Valuation Department of the State Board of Equalization to discuss the methodology that the State will use to assess power plants. Essentially the assessor will initially value the plant base on construction costs (\$473.4 million as of January 1, 2003), and once the plant is operating, they will evaluate the net income generated by the plant. Both the income generated from the contract will be evaluated, as well as the market rate of the power that is being produced. The assessor will use these values in calculating the future assessed value attributable to the power plant. Because actual net income cannot be calculated until the plant has been in operation, the revenue projections assume only the construction value of the plant. However, because CDWR is a guaranteed purchaser, the value determined by the net income of the plant is anticipated to substantially exceed the construction value.

In 2002 the State Legislature adopted Assembly Bill 81 (adding Sections 100.9 and 721.5 to the Revenue and Taxation Code). This bill provides that commencing with the January 1, 2003 property tax lien date, the State Board of Equalization will annually assess electric generation facilities that have a generating capacity of 50 megawatts or more that are owned by an electrical corporation. The bill also requires that the assessed value of electric generation facilities required to be assessed by the State Board of Equalization will be allocated exclusively to the county in which the facility is located, and that the revenues derived from the assessment of this property be allocated among the jurisdictions in the same percentage shares as revenues derived in that tax rate area in which it is located. Essentially this means that the VVEDA Project Area will be allocated all of the tax increment generated by the Power Plant.

### **Development within the SCLA Area and Victorville Area**

#### ***In-Place Development***

For 2003-04 the total assessed valuation of properties within the Southern California Logistics Airport (“SCLA”) territory is \$499 million. After deduction of the \$7.8 million base year value of the SCLA area, and the \$473 million of value associated with the power plant, the remaining \$18 million in value represents new growth associated with other private development activity within SCLA.

Within the Victorville portion of the VVEDA Project Area, the assessed value increased from \$1,268,321,600 in 2002-03 to \$1,392,024,700 in 2003-04, a 9.7% annual growth. Because of the large amount of vacant land and the level of new housing construction occurring within the City of

Victorville, it is anticipated that substantial growth increases will continue into the future.

***Future Development***

Agency staff indicates that the SCLA in conjunction with the City of Victorville and its Redevelopment Agency has created the Southern California Logistics Rail Authority (the "Rail Authority") in response to increased demand from large industrial users. The Rail Authority is preparing a Specific Plan Amendment that incorporates significant portions of SCLA and approximately 2,000 adjacent acres. Build-out of the SCLA Specific Plan and rail service project is expected to generate approximately 1,500 rail facility jobs and 18,000 jobs related to industrial users. The project is envisioned in three phases: (1) 2002 to 2005 - Complete entitlements, commence replacement of existing public rail right-of-way and construct lead track from BNSF Main Line to SCLA; (2) 2005 to 2010 - 950-acre Inter-Modal rail facility, 650-acre Multi-Modal rail facility and approximately 584 acres of industrial use (6.4 million square feet of building area), and all off-site rail improvements; and (3) 2010 to 2015 - construct approximately 1,190 acres of industrial use in the expansion area (12.3 million square feet of building area).

Environmental review for the first phase has commenced and is expected to be completed in January 2004. The Rail Authority has entered into discussions with Burlington Northern Santa Fe Railroad (BNSF) for the development of inter-modal facilities and rail-served industrial development. The Pasha Group, one of the region's largest logistics providers, has entered into a lease transaction for certain facilities on the Base and has commenced freight forwarding operations, sorting and consolidation and storage operations for large containers being delivered from the Port of Los Angeles. The Pasha Group anticipates future development of the 650-acre multi-modal rail facility to provide for consolidation, accessorization and distribution of vehicles entering into the ports of Los Angeles and Long Beach from Asia. The Rail Authority has already submitted an application to the U. S. Department of Transportation to obtain financing under the Transportation Infrastructure Finance and Innovation Act of 1998.

## **Pledged Revenues**

Only the SCLAA and Victorville's portion of tax increment generated from the VVEDA Project Area will be pledged to the payment of debt service on the 2003 Bonds. The component parts of the pledge include: SCLA portion, SCLA's 50% portion of the Excess Prior Contribution Fund (once the Prior Contribution has been repaid), Victorville's Non-Housing Participant Share, Victorville's portion of the Excess Prior Contribution

Fund (once the Prior Contribution has been repaid), and SCLAA's and Victorville's portion of the Low/Moderate Income Housing Fund. Table 5a presents a summary of the Total Pledged Revenue.

We trust that this information provides the bond financing team with an adequate basis for determining SCLAA's ability to meet debt service requirements for the Bonds. While RSG has taken precautions to assure the accuracy of the data used in the formulation of these tax increment revenue projections, we cannot ensure that projected valuations will be realized. Future events and conditions that cannot be controlled or predicted with certainty may affect actual values presented in this Report.

TABLE 5a

VICTOR VALLEY REDEVELOPMENT PROJECT AREA

Tax Increment Projections

SUMMARY OF ALL VVEDA AREAS AND TOTAL PLEDGED REVENUE

P L A N Y E R	YEAR	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW/ MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGH (Special Dist, Member Juris, & Schools)	TO MEMBER JURISDICTION	TO SCLA	VVEDA/VICTORVILLE RDA ADDITIONAL PLEDGE					TOTAL NON- HOUSING PLEDGE REVENUE	VICTORVILLE & SCLAA PORTION OF LOW/MOD HOUSING FUND (Pledged)	TOTAL PLEDGE REVENUE
							TO PRIOR CONTRIB FUND	PRIOR CONTRIB REPAY	50% EXCESS PRIOR CONTRIB TO SCLA	Victorvl's Participant Share	Victorvl's 50% Excess Prior Contrib			
7	2003-04	8,580,741	1,716,148	2,241,649	768,787	3,469,762	384,394	4,238,908			475,386	3,945,148	1,435,040	5,380,189
8	2004-05	9,109,126	1,821,825	2,384,493	858,780	3,614,638	429,390	3,809,518			533,951	4,148,589	1,510,697	5,659,286
9	2005-06	9,648,079	1,929,616	2,530,194	950,572	3,762,410	475,286	3,334,232			593,688	4,356,098	1,587,866	5,943,964
10	2006-07	10,197,811	2,039,562	2,678,809	1,044,200	3,913,138	522,100	2,812,132			654,619	4,567,758	1,666,579	6,234,337
11	2007-08	10,758,537	2,151,707	2,830,397	1,139,701	4,066,881	569,851	2,242,281			716,769	4,783,650	1,746,867	6,530,517
12	2008-09	11,330,478	2,266,096	2,985,016	1,237,112	4,223,699	618,556	1,623,725			780,162	5,003,861	1,828,760	6,832,620
13	2009-10	11,913,858	2,382,772	3,142,727	1,336,471	4,383,653	668,236	955,489			844,823	5,228,475	1,912,290	7,140,766
14	2010-11	12,508,905	2,501,781	3,303,593	1,437,817	4,546,806	718,909	236,581		241,164	910,777	5,698,746	1,997,492	7,696,238
15	2011-12	13,115,854	2,623,171	3,467,676	1,541,190	4,713,222	770,595	0		385,298	978,050	6,321,082	2,084,397	8,405,479
16	2012-13	13,734,941	2,746,988	3,635,041	1,646,631	4,882,966	823,315	0		411,658	1,046,668	6,602,959	2,173,041	8,776,000
17	2013-14	14,366,410	2,873,282	3,805,753	1,754,180	5,056,105	877,090	0		438,545	1,116,659	6,890,474	2,263,458	9,153,932
18	2014-15	15,010,508	3,002,102	3,979,879	1,863,881	5,232,707	931,940	0		465,970	1,188,050	7,183,740	2,355,682	9,539,422
19	2015-16	15,667,489	3,133,498	4,157,487	1,975,775	5,412,841	987,887			493,944	1,260,869	7,482,871	2,449,752	9,932,623
20	2016-17	16,337,609	3,267,522	4,338,648	2,089,907	5,596,578	1,044,954			522,477	1,335,144	7,787,984	2,545,703	10,333,687
21	2017-18	17,021,131	3,404,226	4,523,432	2,206,322	5,783,990	1,103,161			551,580	1,410,904	8,099,200	2,643,572	10,742,772
22	2018-19	17,718,324	3,543,665	4,711,912	2,325,065	5,975,149	1,162,533			581,266	1,488,180	8,416,640	2,743,399	11,160,039
23	2019-20	18,429,461	3,685,892	4,904,162	2,446,183	6,170,132	1,223,092			611,546	1,567,001	8,740,429	2,845,223	11,585,652
24	2020-21	19,154,820	3,830,964	5,100,256	2,569,724	6,369,015	1,284,862			642,431	1,647,398	9,070,694	2,949,083	12,019,777
25	2021-22	19,894,687	3,978,937	5,300,272	2,695,735	6,571,875	1,347,867			673,934	1,729,404	9,407,563	3,055,021	12,462,584
26	2022-23	20,649,351	4,129,870	5,504,289	2,824,266	6,778,792	1,412,133			706,067	1,813,049	9,751,171	3,163,077	12,914,247
27	2023-24	21,419,108	4,283,822	5,712,386	2,955,368	6,989,848	1,477,684			738,842	1,898,368	10,101,650	3,273,294	13,374,944
28	2024-25	22,204,261	4,440,852	5,924,645	3,089,092	7,205,125	1,544,546			772,273	1,985,393	10,459,139	3,385,715	13,844,855
29	2025-26	23,005,116	4,601,023	6,141,149	3,225,491	7,424,708	1,612,746			806,373	2,074,158	10,823,778	3,500,385	14,324,163
30	2026-27	23,821,989	4,764,398	6,361,983	3,364,618	7,648,682	1,682,309			841,154	2,164,699	11,195,710	3,617,349	14,813,058
31	2027-28	24,655,199	4,931,040	6,587,234	3,506,527	7,877,135	1,753,263			876,632	2,257,050	11,575,080	3,736,651	15,311,731
32	2028-29	25,505,073	5,101,015	6,816,989	3,651,274	8,110,158	1,825,637			912,819	2,351,249	11,962,038	3,858,340	15,820,378
33	2029-30	26,371,945	5,274,389	7,051,340	3,798,916	8,347,841	1,899,458			949,729	2,447,331	12,356,734	3,982,463	16,339,197
34	2030-31	27,256,154	5,451,231	7,290,378	3,949,511	8,590,278	1,974,756			987,378	2,545,336	12,759,325	4,109,068	16,868,393
35	2031-32	28,158,047	5,631,609	7,534,197	4,103,118	8,837,563	2,051,559			1,025,780	2,645,300	13,169,968	4,238,205	17,408,172
36	2032-33	29,077,978	5,815,596	7,782,892	4,259,797	9,089,794	2,129,899			1,064,949	2,747,263	13,588,823	4,369,924	17,958,747
37	2033-34	30,016,308	6,003,262	8,036,561	4,419,610	9,347,070	2,209,805			1,104,903	2,851,266	14,016,056	4,504,279	18,520,334
38	2034-35	30,973,404	6,194,681	8,295,303	4,582,619	9,609,492	2,291,310			1,145,655	2,957,349	14,451,833	4,641,320	19,093,153
39	2035-36	31,949,643	6,389,929	8,559,221	4,748,888	9,877,161	2,374,444			1,187,222	3,065,554	14,896,325	4,781,102	19,677,427
40	2036-37	32,945,406	6,589,081	8,828,416	4,918,483	10,150,184	2,459,241			1,229,621	3,175,922	15,349,708	4,923,680	20,273,388
41	2037-38	33,961,084	6,792,217	9,102,996	5,091,469	10,428,668	2,545,735			1,272,867	3,288,498	15,812,158	5,069,109	20,881,267
42	2038-39	34,997,076	6,999,415	9,383,067	5,267,915	10,712,721	2,633,958			1,316,979	3,403,326	16,283,857	5,217,447	21,501,304
43	2039-40	36,053,788	7,210,758	9,668,739	5,447,890	11,002,456	2,723,945			1,361,973	3,520,450	16,764,991	5,368,751	22,133,742
44	2040-41	37,131,634	7,426,327	9,960,125	5,631,465	11,297,985	2,815,732			1,407,866	3,639,916	17,255,746	5,523,082	22,778,829
45	2041-42	38,231,037	7,646,207	10,257,339	5,818,711	11,599,424	2,909,355			1,454,678	3,761,772	17,756,317	5,680,499	23,436,817
	<b>Total</b>	<b>379,937,368</b>	<b>75,987,474</b>	<b>100,844,089</b>	<b>48,100,267</b>	<b>130,955,406</b>	<b>24,050,133</b>	<b>33,634,385</b>	<b>9,884,521</b>	<b>30,563,047</b>	<b>6,175,998</b>	<b>177,089,408</b>	<b>59,091,949</b>	<b>236,670,921</b>

TABLE 5b

## VICTOR VALLEY REDEVELOPMENT PROJECT AREA

Tax Increment Projections

## SOUTHERN CALIFORNIA LOGISTICS AIRPORT (SCLA)

P L A N Y R	1	2	3	4	5	6	7	8	9
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	= (2-BY AV) NET INCREMENTAL VALUATION INCREASE	= (3*0.01) ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	= (4*0.20) LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	= (4*0.2505) LESS ALL PASS THROUGH (Special Dist, Member Juris, & Schools) 25.05%	TO MEMBER JURIS- DICTIONS 0%	=(4 - 5 - 6)*100% TO SCLA 100%	TO PRIOR CONTRIB FUND 0%
BY	1997-98	7,854,300	0	0					
7	2003-04	499,387,500	491,533,200	4,915,332	983,066	1,231,291	0	2,700,975	0
8	2004-05	509,375,250	501,520,950	5,015,210	1,003,042	1,256,310	0	2,755,858	0
9	2005-06	519,562,755	511,708,455	5,117,085	1,023,417	1,281,830	0	2,811,838	0
10	2006-07	529,954,010	522,099,710	5,220,997	1,044,199	1,307,860	0	2,868,938	0
11	2007-08	540,553,090	532,698,790	5,326,988	1,065,398	1,334,410	0	2,927,180	0
12	2008-09	551,364,152	543,509,852	5,435,099	1,087,020	1,361,492	0	2,986,587	0
13	2009-10	562,391,435	554,537,135	5,545,371	1,109,074	1,389,116	0	3,047,182	0
14	2010-11	573,639,264	565,784,964	5,657,850	1,131,570	1,417,291	0	3,108,988	0
15	2011-12	585,112,049	577,257,749	5,772,577	1,154,515	1,446,031	0	3,172,031	0
16	2012-13	596,814,290	588,959,990	5,889,600	1,177,920	1,475,345	0	3,236,335	0
17	2013-14	608,750,576	600,896,276	6,008,963	1,201,793	1,505,245	0	3,301,925	0
18	2014-15	620,925,587	613,071,287	6,130,713	1,226,143	1,535,744	0	3,368,827	0
19	2015-16	633,344,099	625,489,799	6,254,898	1,250,980	1,566,852	0	3,437,066	0
20	2016-17	646,010,981	638,156,681	6,381,567	1,276,313	1,598,582	0	3,506,671	0
21	2017-18	658,931,201	651,076,901	6,510,769	1,302,154	1,630,948	0	3,577,668	0
22	2018-19	672,109,825	664,255,525	6,642,555	1,328,511	1,663,960	0	3,650,084	0
23	2019-20	685,552,021	677,697,721	6,776,977	1,355,395	1,697,633	0	3,723,949	0
24	2020-21	699,263,062	691,408,762	6,914,088	1,382,818	1,731,979	0	3,799,291	0
25	2021-22	713,248,323	705,394,023	7,053,940	1,410,788	1,767,012	0	3,876,140	0
26	2022-23	727,513,289	719,658,989	7,196,590	1,439,318	1,802,746	0	3,954,526	0
27	2023-24	742,063,555	734,209,255	7,342,093	1,468,419	1,839,194	0	4,034,480	0
28	2024-25	756,904,826	749,050,526	7,490,505	1,498,101	1,876,372	0	4,116,033	0
29	2025-26	772,042,923	764,188,623	7,641,886	1,528,377	1,914,293	0	4,199,216	0
30	2026-27	787,483,781	779,629,481	7,796,295	1,559,259	1,952,972	0	4,284,064	0
31	2027-28	803,233,457	795,379,157	7,953,792	1,590,758	1,992,425	0	4,370,608	0
32	2028-29	819,298,126	811,443,826	8,114,438	1,622,888	2,032,667	0	4,458,884	0
33	2029-30	835,684,089	827,829,789	8,278,298	1,655,660	2,073,714	0	4,548,925	0
34	2030-31	852,397,770	844,543,470	8,445,435	1,689,087	2,115,581	0	4,640,766	0
35	2031-32	869,445,726	861,591,426	8,615,914	1,723,183	2,158,287	0	4,734,445	0
36	2032-33	886,834,640	878,980,340	8,789,803	1,757,961	2,201,846	0	4,829,997	0
37	2033-34	904,571,333	896,717,033	8,967,170	1,793,434	2,246,276	0	4,927,460	0
38	2034-35	922,662,760	914,808,460	9,148,085	1,829,617	2,291,595	0	5,026,872	0
39	2035-36	941,116,015	933,261,715	9,332,617	1,866,523	2,337,821	0	5,128,273	0
40	2036-37	959,938,335	952,084,035	9,520,840	1,904,168	2,384,971	0	5,231,702	0
41	2037-38	979,137,102	971,282,802	9,712,828	1,942,566	2,433,063	0	5,337,199	0
42	2038-39	998,719,844	990,865,544	9,908,655	1,981,731	2,482,118	0	5,444,806	0
43	2039-40	1,018,694,241	1,010,839,941	10,108,399	2,021,680	2,532,154	0	5,554,565	0
44	2040-41	1,039,068,126	1,031,213,826	10,312,138	2,062,428	2,583,191	0	5,666,520	0
45	2041-42	1,059,849,488	1,051,995,188	10,519,952	2,103,990	2,635,248	0	5,780,714	0
	Total			150,782,782	30,156,556	37,771,087	0	82,855,139	0



TABLE 5c

## VICTOR VALLEY REDEVELOPMENT PROJECT AREA

## Tax Increment Projections

## VICTORVILLE AREA

P L A N Y E R	1	2	3	4	5	6	7	8	9
	YEAR	SECURED & UNSECURED ASSESSED VALUE * W/ GROWTH @ 2.00%	= (2-BY AV) NET INCREMENTAL VALUATION INCREASE	= (3*0.01) ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	= (4*0.20) LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	= (5*0.2741) LESS ALL PASS THROUGHS (Special Dist, Member Juris, & Schools) 27.41%	=(4 - 5 - 6)*40% TO MEMBER JURIS- DICTIONS 40%	=(4 - 5 - 6)*40% TO SCLA 40%	=(4 - 5 - 6)*20% TO PRIOR CONTRIB FUND 20%
BY	1997-98	1,166,037,800	0	0					
7	2003-04	1,392,024,700	225,986,900	2,259,869	451,974	619,430	475,386	475,386	237,693
8	2004-05	1,419,865,194	253,827,394	2,538,274	507,655	695,741	533,951	533,951	266,976
9	2005-06	1,448,262,498	282,224,698	2,822,247	564,449	773,578	593,688	593,688	296,844
10	2006-07	1,477,227,748	311,189,948	3,111,899	622,380	852,972	654,619	654,619	327,310
11	2007-08	1,506,772,303	340,734,503	3,407,345	681,469	933,953	716,769	716,769	358,385
12	2008-09	1,536,907,749	370,869,949	3,708,699	741,740	1,016,555	780,162	780,162	390,081
13	2009-10	1,567,645,904	401,608,104	4,016,081	803,216	1,100,808	844,823	844,823	422,411
14	2010-11	1,598,998,822	432,961,022	4,329,610	865,922	1,186,746	910,777	910,777	455,388
15	2011-12	1,630,978,798	464,940,998	4,649,410	929,882	1,274,403	978,050	978,050	489,025
16	2012-13	1,663,598,374	497,560,574	4,975,606	995,121	1,363,814	1,046,668	1,046,668	523,334
17	2013-14	1,696,870,342	530,832,542	5,308,325	1,061,665	1,455,012	1,116,659	1,116,659	558,330
18	2014-15	1,730,807,749	564,769,949	5,647,699	1,129,540	1,548,034	1,188,050	1,188,050	594,025
19	2015-16	1,765,423,904	599,386,104	5,993,861	1,198,772	1,642,917	1,260,869	1,260,869	630,434
20	2016-17	1,800,732,382	634,694,582	6,346,946	1,269,389	1,739,698	1,335,144	1,335,144	667,572
21	2017-18	1,836,747,029	670,709,229	6,707,092	1,341,418	1,838,414	1,410,904	1,410,904	705,452
22	2018-19	1,873,481,970	707,444,170	7,074,442	1,414,888	1,939,104	1,488,180	1,488,180	744,090
23	2019-20	1,910,951,609	744,913,809	7,449,138	1,489,828	2,041,809	1,567,001	1,567,001	783,500
24	2020-21	1,949,170,641	783,132,841	7,831,328	1,566,266	2,146,567	1,647,398	1,647,398	823,699
25	2021-22	1,988,154,054	822,116,254	8,221,163	1,644,233	2,253,421	1,729,404	1,729,404	864,702
26	2022-23	2,027,917,135	861,879,335	8,618,793	1,723,759	2,362,411	1,813,049	1,813,049	906,525
27	2023-24	2,068,475,478	902,437,678	9,024,377	1,804,875	2,473,582	1,898,368	1,898,368	949,184
28	2024-25	2,109,844,988	943,807,188	9,438,072	1,887,614	2,586,976	1,985,393	1,985,393	992,696
29	2025-26	2,152,041,887	986,004,087	9,860,041	1,972,008	2,702,637	2,074,158	2,074,158	1,037,079
30	2026-27	2,195,082,725	1,029,044,925	10,290,449	2,058,090	2,820,612	2,164,699	2,164,699	1,082,349
31	2027-28	2,238,984,380	1,072,946,580	10,729,466	2,145,893	2,940,947	2,257,050	2,257,050	1,128,525
32	2028-29	2,283,764,067	1,117,726,267	11,177,263	2,235,453	3,063,688	2,351,249	2,351,249	1,175,624
33	2029-30	2,329,439,349	1,163,401,549	11,634,015	2,326,803	3,188,884	2,447,331	2,447,331	1,223,666
34	2030-31	2,376,028,136	1,209,990,336	12,099,903	2,419,981	3,316,584	2,545,336	2,545,336	1,272,668
35	2031-32	2,423,548,698	1,257,510,898	12,575,109	2,515,022	3,446,837	2,645,300	2,645,300	1,322,650
36	2032-33	2,472,019,672	1,305,981,872	13,059,819	2,611,964	3,579,696	2,747,263	2,747,263	1,373,632
37	2033-34	2,521,460,066	1,355,422,266	13,554,223	2,710,845	3,715,212	2,851,266	2,851,266	1,425,633
38	2034-35	2,571,889,267	1,405,851,467	14,058,515	2,811,703	3,853,439	2,957,349	2,957,349	1,478,675
39	2035-36	2,623,327,052	1,457,289,252	14,572,893	2,914,579	3,994,430	3,065,554	3,065,554	1,532,777
40	2036-37	2,675,793,593	1,509,755,793	15,097,558	3,019,512	4,138,241	3,175,922	3,175,922	1,587,961
41	2037-38	2,729,309,465	1,563,271,665	15,632,717	3,126,543	4,284,928	3,288,498	3,288,498	1,644,249
42	2038-39	2,783,895,655	1,617,857,855	16,178,579	3,235,716	4,434,548	3,403,326	3,403,326	1,701,663
43	2039-40	2,839,573,568	1,673,535,768	16,735,358	3,347,072	4,587,162	3,520,450	3,520,450	1,760,225
44	2040-41	2,896,365,039	1,730,327,239	17,303,272	3,460,654	4,742,827	3,639,916	3,639,916	1,819,958
45	2041-42	2,954,292,340	1,788,254,540	17,882,545	3,576,509	4,901,606	3,761,772	3,761,772	1,880,886
	Total				29,057,850	39,823,784	30,563,047	30,563,047	15,281,524

\* City of Victorville assessed valuations have been adjusted to net out George Air Force Base Assessed valuations.

TABLE 5

## VICTOR VALLEY REDEVELOPMENT PROJECT AREA

## Tax Increment Projections

## APPLE VALLEY AREA

P L A N Y E R	1	2	3	4	5	6	7	8	9
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	= (2-BY AV) NET INCREMENTAL VALUATION INCREASE	= (3*0.01) ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	= (4*0.20) LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	= (5*0.27) LESS ALL PASS THROUGHS (Special Dist. Member Juris, & Schools) 27.00%	=(4 - 5 - 6)*40% TO MEMBER JURIS- DICTIONS 40%	=(4 - 5 - 6)*40% TO SCLA 40%	=(4 - 5 - 6)*20% TO PRIOR CONTRIB FUND 20%
BY	1997-98	436,031,300	0	0					
7	2003-04	519,143,300	83,112,000	831,120	166,224	224,402	176,197	176,197	88,099
8	2004-05	529,526,166	93,494,866	934,949	186,990	252,436	198,209	198,209	99,105
9	2005-06	540,116,689	104,085,389	1,040,854	208,171	281,031	220,661	220,661	110,331
10	2006-07	550,919,023	114,887,723	1,148,877	229,775	310,197	243,562	243,562	121,781
11	2007-08	561,937,404	125,906,104	1,259,061	251,812	339,946	266,921	266,921	133,460
12	2008-09	573,176,152	137,144,852	1,371,449	274,290	370,291	290,747	290,747	145,374
13	2009-10	584,639,675	148,608,375	1,486,084	297,217	401,243	315,050	315,050	157,525
14	2010-11	596,332,468	160,301,168	1,603,012	320,602	432,813	339,838	339,838	169,919
15	2011-12	608,259,118	172,227,818	1,722,278	344,456	465,015	365,123	365,123	182,561
16	2012-13	620,424,300	184,393,000	1,843,930	368,786	497,861	390,913	390,913	195,457
17	2013-14	632,832,786	196,801,486	1,968,015	393,603	531,364	417,219	417,219	208,610
18	2014-15	645,489,442	209,458,142	2,094,581	418,916	565,537	444,051	444,051	222,026
19	2015-16	658,399,230	222,367,930	2,223,679	444,736	600,393	471,420	471,420	235,710
20	2016-17	671,567,215	235,535,915	2,355,359	471,072	635,947	499,336	499,336	249,668
21	2017-18	684,998,559	248,967,259	2,489,673	497,935	672,212	527,811	527,811	263,905
22	2018-19	698,698,531	262,667,231	2,626,672	525,334	709,202	556,855	556,855	278,427
23	2019-20	712,672,501	276,641,201	2,766,412	553,282	746,931	586,479	586,479	293,240
24	2020-21	726,925,951	290,894,651	2,908,947	581,789	785,416	616,697	616,697	308,348
25	2021-22	741,464,470	305,433,170	3,054,332	610,866	824,670	647,518	647,518	323,759
26	2022-23	756,293,760	320,262,460	3,202,625	640,525	864,709	678,956	678,956	339,478
27	2023-24	771,419,635	335,388,335	3,353,883	670,777	905,549	711,023	711,023	355,512
28	2024-25	786,848,027	350,816,727	3,508,167	701,633	947,205	743,731	743,731	371,866
29	2025-26	802,584,988	366,553,688	3,665,537	733,107	989,695	777,094	777,094	388,547
30	2026-27	818,636,688	382,605,388	3,826,054	765,211	1,033,035	811,123	811,123	405,562
31	2027-28	835,009,422	398,978,122	3,989,781	797,956	1,077,241	845,834	845,834	422,917
32	2028-29	851,709,610	415,678,310	4,156,783	831,357	1,122,331	881,238	881,238	440,619
33	2029-30	868,743,802	432,712,502	4,327,125	865,425	1,168,324	917,351	917,351	458,675
34	2030-31	886,118,678	450,087,378	4,500,874	900,175	1,215,236	954,185	954,185	477,093
35	2031-32	903,841,052	467,809,752	4,678,098	935,620	1,263,086	991,757	991,757	495,878
36	2032-33	921,917,873	485,886,573	4,858,866	971,773	1,311,894	1,030,080	1,030,080	515,040
37	2033-34	940,356,230	504,324,930	5,043,249	1,008,650	1,361,677	1,069,169	1,069,169	534,584
38	2034-35	959,163,355	523,132,055	5,231,321	1,046,264	1,412,457	1,109,040	1,109,040	554,520
39	2035-36	978,346,622	542,315,322	5,423,153	1,084,631	1,464,251	1,149,708	1,149,708	574,854
40	2036-37	997,913,554	561,882,254	5,618,823	1,123,765	1,517,082	1,191,190	1,191,190	595,595
41	2037-38	1,017,871,825	581,840,525	5,818,405	1,163,681	1,570,969	1,233,502	1,233,502	616,751
42	2038-39	1,038,229,262	602,197,962	6,021,980	1,204,396	1,625,934	1,276,660	1,276,660	638,330
43	2039-40	1,058,993,847	622,962,547	6,229,625	1,245,925	1,681,999	1,320,681	1,320,681	660,340
44	2040-41	1,080,173,724	644,142,424	6,441,424	1,288,285	1,739,185	1,365,582	1,365,582	682,791
45	2041-42	1,101,777,199	665,745,899	6,657,459	1,331,492	1,797,514	1,411,381	1,411,381	705,691
	Total		5,392,255,677	53,922,557	10,784,511	14,559,090	11,431,582	11,431,582	5,715,791

TABLE 5e

## VICTOR VALLEY REDEVELOPMENT PROJECT AREA

## Tax Increment Projections

## HESPERIA AREA

P L A N Y E R	1	2	3	4	5	6	7	8	9
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	= (2-BY AV) NET INCREMENTAL VALUATION INCREASE	= (3*0.01) ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	= (4*0.20) LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	= (5*0.3010) LESS ALL PASS THROUGH (Special Dist, Member Juris, & Schools) 30.10%	=(4 - 5 - 6)*40% TO MEMBER JURIS- DICTIONS 40%	=(4 - 5 - 6)*40% TO SCLA 40%	=(4 - 5 - 6)*20% TO PRIOR CONTRIB FUND 20%
<b>BY</b>	<b>1997-98</b>	<b>122,203,000</b>	0	0					
7	2003-04	159,082,500	36,879,500	368,795	73,759	111,007	73,611	73,611	36,806
8	2004-05	162,264,150	40,061,150	400,612	80,122	120,584	79,962	79,962	39,981
9	2005-06	165,509,433	43,306,433	433,064	86,613	130,352	86,440	86,440	43,220
10	2006-07	168,819,622	46,616,622	466,166	93,233	140,316	93,047	93,047	46,523
11	2007-08	172,196,014	49,993,014	499,930	99,986	150,479	99,786	99,786	49,893
12	2008-09	175,639,934	53,436,934	534,369	106,874	160,845	106,660	106,660	53,330
13	2009-10	179,152,733	56,949,733	569,497	113,899	171,419	113,672	113,672	56,836
14	2010-11	182,735,788	60,532,788	605,328	121,066	182,204	120,823	120,823	60,412
15	2011-12	186,390,503	64,187,503	641,875	128,375	193,204	128,118	128,118	64,059
16	2012-13	190,118,314	67,915,314	679,153	135,831	204,425	135,559	135,559	67,779
17	2013-14	193,920,680	71,717,680	717,177	143,435	215,870	143,148	143,148	71,574
18	2014-15	197,799,093	75,596,093	755,961	151,192	227,544	150,890	150,890	75,445
19	2015-16	201,755,075	79,552,075	795,521	159,104	239,452	158,786	158,786	79,393
20	2016-17	205,790,177	83,587,177	835,872	167,174	251,597	166,840	166,840	83,420
21	2017-18	209,905,980	87,702,980	877,030	175,406	263,986	175,055	175,055	87,528
22	2018-19	214,104,100	91,901,100	919,011	183,802	276,622	183,435	183,435	91,717
23	2019-20	218,386,182	96,183,182	961,832	192,366	289,511	191,982	191,982	95,991
24	2020-21	222,753,906	100,550,906	1,005,509	201,102	302,658	200,700	200,700	100,350
25	2021-22	227,208,984	105,005,984	1,050,060	210,012	316,068	209,592	209,592	104,796
26	2022-23	231,753,163	109,550,163	1,095,502	219,100	329,746	218,662	218,662	109,331
27	2023-24	236,388,227	114,185,227	1,141,852	228,370	343,698	227,914	227,914	113,957
28	2024-25	241,115,991	118,912,991	1,189,130	237,826	357,928	237,350	237,350	118,675
29	2025-26	245,938,311	123,735,311	1,237,353	247,471	372,443	246,976	246,976	123,488
30	2026-27	250,857,077	128,654,077	1,286,541	257,308	387,249	256,794	256,794	128,397
31	2027-28	255,874,219	133,671,219	1,336,712	267,342	402,350	266,808	266,808	133,404
32	2028-29	260,991,703	138,788,703	1,387,887	277,577	417,754	277,022	277,022	138,511
33	2029-30	266,211,537	144,008,537	1,440,085	288,017	433,466	287,441	287,441	143,721
34	2030-31	271,535,768	149,332,768	1,493,328	298,666	449,492	298,068	298,068	149,034
35	2031-32	276,966,483	154,763,483	1,547,635	309,527	465,838	308,908	308,908	154,454
36	2032-33	282,505,813	160,302,813	1,603,028	320,606	482,511	319,964	319,964	159,982
37	2033-34	288,155,929	165,952,929	1,659,529	331,906	499,518	331,242	331,242	165,621
38	2034-35	293,919,048	171,716,048	1,717,160	343,432	516,865	342,745	342,745	171,373
39	2035-36	299,797,429	177,594,429	1,775,944	355,189	534,559	354,478	354,478	177,239
40	2036-37	305,793,377	183,590,377	1,835,904	367,181	552,607	366,446	366,446	183,223
41	2037-38	311,909,245	189,706,245	1,897,062	379,412	571,016	378,654	378,654	189,327
42	2038-39	318,147,430	195,944,430	1,959,444	391,889	589,793	391,105	391,105	195,553
43	2039-40	324,510,378	202,307,378	2,023,074	404,615	608,945	403,806	403,806	201,903
44	2040-41	331,000,586	208,797,586	2,087,976	417,595	628,481	416,760	416,760	208,380
45	2041-42	337,620,598	215,417,598	2,154,176	430,835	648,407	429,974	429,974	214,987
	<b>Total</b>		<b>1,957,898,149</b>	<b>19,578,981</b>	<b>3,906,952</b>	<b>5,879,963</b>	<b>3,899,138</b>	<b>3,899,138</b>	<b>1,949,569</b>

TABLE 5f

## VICTOR VALLEY REDEVELOPMENT PROJECT AREA

## Tax Increment Projections

## SAN BERNARDINO COUNTY AREA

P L A N Y E R	1	2	3	4	5	6	7	8	9
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	= (2-BY AV) NET INCREMENTAL VALUATION INCREASE	= (3*0.01) ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	= (4*0.20) LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	= (5*0.27) LESS ALL PASS THROUGHTS (Special Dist, Member Juris, & Schools) 27.00%	=(4 - 5 - 6)*40% TO MEMBER JURIS- DICTIONS 40%	=(4 - 5 - 6)*40% TO SCLA 40%	=(4 - 5 - 6)*20% TO PRIOR CONTRIB FUND 20%
BY	1997-98	51,724,800	0	0					
7	2003-04	72,287,300	20,562,500	205,625	41,125	55,519	43,593	43,593	21,796
8	2004-05	73,733,046	22,008,246	220,082	44,016	59,422	46,657	46,657	23,329
9	2005-06	75,207,707	23,482,907	234,829	46,966	63,404	49,784	49,784	24,892
10	2006-07	76,711,861	24,987,061	249,871	49,974	67,465	52,973	52,973	26,486
11	2007-08	78,246,098	26,521,298	265,213	53,043	71,608	56,225	56,225	28,113
12	2008-09	79,811,020	28,086,220	280,862	56,172	75,833	59,543	59,543	29,771
13	2009-10	81,407,241	29,682,441	296,824	59,365	80,143	62,927	62,927	31,463
14	2010-11	83,035,385	31,310,585	313,106	62,621	84,539	66,378	66,378	33,189
15	2011-12	84,696,093	32,971,293	329,713	65,943	89,022	69,899	69,899	34,950
16	2012-13	86,390,015	34,665,215	346,652	69,330	93,596	73,490	73,490	36,745
17	2013-14	88,117,815	36,393,015	363,930	72,786	98,261	77,153	77,153	38,577
18	2014-15	89,880,172	38,155,372	381,554	76,311	103,020	80,889	80,889	40,445
19	2015-16	91,677,775	39,952,975	399,530	79,906	107,873	84,700	84,700	42,350
20	2016-17	93,511,331	41,786,531	417,865	83,573	112,824	88,587	88,587	44,294
22	2018-19	97,289,188	45,564,388	455,644	91,129	123,024	96,597	96,597	48,298
23	2019-20	99,234,972	47,510,172	475,102	95,020	128,277	100,722	100,722	50,361
24	2020-21	101,219,672	49,494,872	494,949	98,990	133,636	104,929	104,929	52,465
25	2021-22	103,244,065	51,519,265	515,193	103,039	139,102	109,221	109,221	54,610
26	2022-23	105,308,946	53,584,146	535,841	107,168	144,677	113,598	113,598	56,799
27	2023-24	107,415,125	55,690,325	556,903	111,381	150,364	118,063	118,063	59,032
28	2024-25	109,563,428	57,838,628	578,386	115,677	156,164	122,618	122,618	61,309
29	2025-26	111,754,696	60,029,896	600,299	120,060	162,081	127,263	127,263	63,632
30	2026-27	113,989,790	62,264,990	622,650	124,530	168,115	132,002	132,002	66,001
31	2027-28	116,269,586	64,544,786	645,448	129,090	174,271	136,835	136,835	68,417
32	2028-29	118,594,978	66,870,178	668,702	133,740	180,549	141,765	141,765	70,882
33	2029-30	120,966,877	69,242,077	692,421	138,484	186,954	146,793	146,793	73,397
34	2030-31	123,386,215	71,661,415	716,614	143,323	193,486	151,922	151,922	75,961
35	2031-32	125,853,939	74,129,139	741,291	148,258	200,149	157,154	157,154	78,577
36	2032-33	128,371,018	76,646,218	766,462	153,292	206,945	162,490	162,490	81,245
37	2033-34	130,938,438	79,213,638	792,136	158,427	213,877	167,933	167,933	83,966
38	2034-35	133,557,207	81,832,407	818,324	163,665	220,947	173,485	173,485	86,742
39	2035-36	136,228,351	84,503,551	845,036	169,007	228,160	179,148	179,148	89,574
40	2036-37	138,952,918	87,228,118	872,281	174,456	235,516	184,924	184,924	92,462
41	2037-38	141,731,977	90,007,177	900,072	180,014	243,019	190,815	190,815	95,408
42	2038-39	144,566,616	92,841,816	928,418	185,684	250,673	196,825	196,825	98,412
43	2039-40	147,457,948	95,733,148	957,331	191,466	258,480	202,954	202,954	101,477
44	2040-41	150,407,107	98,682,307	986,823	197,365	266,442	209,206	209,206	104,603
45	2041-42	153,415,249	101,690,449	1,016,904	203,381	274,564	215,584	215,584	107,792
	Total		1,079,390,828	10,793,908	2,081,603	2,810,164	2,206,499	2,206,499	1,103,250

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Southern California Logistics Airport Authority (the "Authority" or "Issuer") and BNY Western Trust Company, as Trustee and Dissemination Agent (the "Trustee" and "Dissemination Agent") in connection with the issuance by the Authority of its \$45,120,000 Tax Allocation Parity Bonds (Southern California Logistics Airport Project) Series 2003 (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of November 1, 2003 (the "Indenture"), by and between the Issuer and the Trustee. The Issuer, the Dissemination Agent and the Trustee covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Issuer, the Dissemination Agent and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

"Disclosure Representative" shall mean the Executive Director of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent and the Trustee from time to time.

"Dissemination Agent" shall mean BNY Western Trust Company, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in the SEC website located at <http://www.sec.gov/consumer/nrmsir.htm>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

“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.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or, upon written direction, shall cause the Dissemination Agent to, not later than February 15 after the end of the Authority’s fiscal year, commencing February 15, 2004, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Issuer and the Dissemination Agent to determine if the Issuer is in compliance with the first sentence of this subsection (b). The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and the Trustee may conclusively rely upon such certification of the Authority and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository or to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) upon providing the Annual Report to the Repositories, file a report with the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. An update of the tables presented in the section of the Official Statement entitled "PLEGGED TAX REVENUES--Assessed Valuations and Tax Increment Revenues" and "--Largest Property Taxpayers."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Noteholders;
4. optional, contingent or unscheduled note calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Agreement, “actual knowledge” of the occurrence of such Listed Events shall mean actual knowledge by the officer at the Corporate Trust Office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository or the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

**SECTION 6. Termination of Reporting Obligation.** The Issuer’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

**SECTION 7. Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor



Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be BNY Western Trust Company.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Trustee may amend this Disclosure Agreement (and the Dissemination Agent and the Trustee shall agree to any amendment so requested by the Issuer, provided that neither the Trustee nor the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

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

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

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

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

SECTION 10. Default. In the event of a failure of the Issuer or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any Holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture, and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and the indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Trustee and the Dissemination Agent, their 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 or the Trustee's respective gross negligence or wilful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Noteholders, or any other party. Neither the Trustee or the Dissemination Agent shall have any liability to the Noteholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent or the Trustee and payment of the Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: Southern California Logistics Airport Authority  
14343 Civic Drive  
Victorville, California 92392  
Attention: Executive Director

To the Trustee and  
Dissemination Agent:

BNY Western Trust Company  
700 S. Flower Street, Suite 500  
Los Angeles, California 90017  
Attention: Corporate Trust Department

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Continuing Disclosure Agreement as of the date set forth below.

Dated as of: November 1, 2003

SOUTHERN CALIFORNIA LOGISTICS  
AIRPORT AUTHORITY

By \_\_\_\_\_  
Executive Director

BNY WESTERN TRUST COMPANY,  
as Trustee and Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Southern California Logistics Airport Authority

Name of Note Issue: \$45,120,000 Southern California Logistics Airport Authority  
Tax Allocation Parity Bonds  
(Southern California Logistics Airport Project)  
Series 2003

Date of Issuance: November 13, 2003

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of November 1, 2003 with respect to the Bonds. [The Authority anticipates that the Annual Report will be filed by \_\_\_\_\_.]

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

BNY WESTERN TRUST COMPANY,  
on behalf of Authority

cc: Issuer

**APPENDIX F**

**AUDITED FINANCIAL STATEMENT OF THE AUTHORITY FOR  
THE FISCAL YEAR ENDED JUNE 30, 2002**

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**SOUTHERN CALIFORNIA  
LOGISTICS AIRPORT AUTHORITY**

**Financial Statements and Supplementary Data**

**Year ended June 30, 2002**

**(With Independent Auditors' Report Thereon)**

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**

**Financial Statements and Supplemental Data**

**Year ended June 30, 2002**

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Board of Directors  
Southern California Logistics Airport Authority  
Victorville, California

Independent Auditors' Report

We have audited the accompanying financial statements of the Southern California Logistics Airport Authority, a component unit of the City of Victorville, as of and for the year ended June 30, 2002 as listed in the table of contents. These financial statements are the responsibility of the management of the Southern California Logistics Airport Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern California Logistics Airport Authority, as of June 30, 2002 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Conrad and Associates, L.L.P.*

November 12, 2002

## FINANCIAL STATEMENTS

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Balance Sheet

June 30, 2002

Assets

Current assets:

Accounts receivable	\$ 281,132
Due from other governments	234,068
Inventory	45,310
Total current assets	560,510

Restricted assets:

Investments with fiscal agent (note 2)	5,544,094
Total restricted assets	5,544,094

Property, plant and equipment, net of accumulated depreciation (note 3)	11,070,248
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Total assets	\$ 17,174,852
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Liabilities and Fund Equity

Current liabilities:

Accounts payable	\$ 733,110
Deposits payable	90,018
Deferred revenue	2,915
Advance from City of Victorville (note 4)	13,924,771
Claims payable	177,121
Total current liabilities	14,927,935

Current liabilities payable from restricted assets:

Interest payable	71,749
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Total current liabilities payable from restricted assets:	71,749
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Long-term liabilities (note 5):

Tax allocation bonds	12,819,950
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Total long-term liabilities	12,819,950
-----------------------------	------------

Total liabilities	27,819,634
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Fund equity:

Retained earnings (deficit) - unreserved	(10,644,782)
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Total fund equity (deficit)	(10,644,782)
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Total liabilities and fund equity	\$ 17,174,852
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See accompanying notes to financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Revenues, Expenses and Changes in Retained Earnings

Year ended June 30, 2002

Operating revenues:	
Taxes	\$ 216,455
Intergovernmental	6,172,563
Charges for services	5,660,189
Fines and forfeitures	484
Other	<u>17,772</u>
Total operating revenues	<u>12,067,463</u>
Operating expenses:	
Personnel services	5,161,594
Maintenance and operations	9,940,655
Cost of purchased water	360,481
Depreciation	<u>506,175</u>
Total operating expenses	<u>15,968,905</u>
Operating income (loss)	<u>(3,901,442)</u>
Nonoperating revenues (expenses):	
Interest revenue	54,490
Interest expense	(651,922)
Claims and judgments	(177,121)
Payment to other governmental agency	<u>(6,753,035)</u>
Total nonoperating revenues (expenses)	<u>(7,527,588)</u>
Net income (loss)	(11,429,030)
Retained earnings, beginning of year	<u>784,248</u>
Retained earnings (deficit), end of year	<u>\$ (10,644,782)</u>

See accompanying notes to financial statements.

# SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

## Statement of Cash Flows

Year ended June 30, 2002

Cash flows from operating activities:	
Cash received from other governmental agencies	\$ 216,455
Cash received from customers	5,556,170
Cash received from interfund charges	5,938,495
Cash payments to employees for services	(5,161,594)
Cash payments to suppliers for goods and services	(11,353,908)
Cash payments for other nonoperating expenses	<u>(177,121)</u>
Net cash provided by (used for) operating activities	<u>(4,981,503)</u>
Cash flows from noncapital financing activities:	
Cash received from City of Victorville	6,461,859
Cash paid to other governments	<u>(6,753,035)</u>
Net cash provided by (used for) noncapital financing activities	<u>(291,176)</u>
Cash flows from capital and related financing activities:	
Proceeds from bonds, net	12,819,950
Cash payments to acquire fixed assets	(1,477,494)
Interest paid on capital-related debt	<u>(580,173)</u>
Net cash provided by (used for) capital and related financing activities	<u>10,762,283</u>
Cash flows from investing activities:	
Interest received on investments	<u>54,490</u>
Net cash provided by (used for) investing activities	<u>54,490</u>
Net increase (decrease) in cash and cash equivalents	5,544,094
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 5,544,094</u>

(Continued)

See accompanying notes to financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Cash Flows

(Continued)

Reconciliation of cash and cash equivalents to amounts reported  
on the balance sheet:

Cash with fiscal agent \$ 5,544,094

Cash and cash equivalents at end of year \$ 5,544,094

Reconciliation of operating income (loss) to net cash provided by  
(used for) operating activities

Operating income (loss) \$ (3,901,442)

Adjustments to reconcile operating income (loss) to net cash  
provided by operating activities:

Depreciation	506,175
Nonoperating miscellaneous expense	(177,121)
(Increase) decrease in accounts receivable	(125,190)
(Increase) decrease in due from other governments	(234,068)
Increase (decrease) in accounts payable	(1,238,628)
Increase (decrease) in claims payable	177,121
Increase (decrease) in deposits payable	8,735
Increase (decrease) in deferred revenue	<u>2,915</u>

Total adjustments (1,080,061)

Net cash provided by (used for) operating activities \$ (4,981,503)

Noncash capital, financing and investing activities

During fiscal year 2001-02, there were no noncash capital, financing or investing activities.

See accompanying notes to financial statements.

# SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

## Notes to Financial Statements

Year ended June 30, 2002

### (1) Summary of Significant Accounting Policies

#### (a) Description of the Reporting Entity

The Southern California Logistics Airport Authority (SCLAA), a component unit of the City of Victorville, was formed in June of 1997 by the City of Victorville and the Victorville Redevelopment Agency. The purpose of SCLAA is to provide for the coordination of long range planning of the territory of George Air Force Base (now Southern California Logistics Airport, or the Airport). The Victor Valley Economic Development Authority (VVEDA), a Joint Powers Authority of the City of Victorville and other entities, was authorized to exclusively exercise the powers of a redevelopment agency in the area including and surrounding the Airport. VVEDA subsequently delegated to the SCLAA all of its redevelopment authority over the portion of the VVEDA project area comprised of the Airport.

#### (b) Basis of Accounting

The Southern California Logistics Airport Authority operates and reports as an enterprise utilizing the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### (c) Relationship to the City of Victorville

The Southern California Logistics Airport Authority (SCLAA) is an integral part of the reporting entity of the City of Victorville (City). The SCLAA fund has been included within the scope of the general purpose financial statements of the City because the City Council is the governing board and has financial accountability over the operations of the SCLAA. Only the SCLAA fund is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Victorville, California.

#### (d) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

#### (e) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include the cash and investments held by a fiscal agent.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of all exhaustible fixed assets used by SCLAA is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	20-25 years
Improvements	10-50 years
Furniture and Equipment	3-7 years

(2) Cash and Investments

Cash and investments held by SCLAA at June 30, 2002 consisted of the following:

Restricted assets:	
Investments with fiscal agents	<u>\$ 5,544,094</u>
Total	<u>\$ 5,544,094</u>

Under provision of the City of Victorville's investment policy, and in accordance with Section 53601 of the California Government Code, SCLAA may invest in:

- Securities of the U.S. Government or its agencies
- U.S. Treasury notes/bonds
- Negotiable certificate of deposits – (30% max)
- Banker's acceptances – (30% max)
- Commercial paper – (15% max)
- Local Agency Investment Fund (state pool) deposits – a special fund of the California State Treasury through which local governments may pool investments.
- Money Market Accounts – (20% max)
- Medium Term Corporate Notes – (30% max)
- Certificates of Deposits – (25% max)

It is the intent of SCLAA to hold all investments until maturity or until market value equals or exceeds cost.

SCLAA's investments at year-end are categorized below to give an indication of the level of credit risk assumed by SCLAA at year end.



SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Category 1 - Insured or registered or for which the securities are held by SCLAA or SCLAA's custodial agent (which must be a different institution other than the party through which SCLAA purchased the securities) in SCLAA's name. Investments held "in SCLAA's name" include securities held in a separate custodial or fiduciary account and identified as owned by SCLAA in the custodian's internal accounting records.

Category 2 - Uninsured and unregistered investments for which the securities are held by the dealer's agent in SCLAA's name (or by the trust department of the dealer if the dealer was a financial institution and another department of the institution purchased the securities for SCLAA).

Category 3 - Uninsured and unregistered investments for which the securities are held by the dealer's agent, but not in SCLAA's name. Category 3 also includes all securities held by the broker-dealer agent of SCLAA (the party that purchased the securities for the Agency) regardless of whether or not the securities are being held in SCLAA's name.

None of the investments held by SCLAA or its fiscal agent at June 30, 2002 were subject to categorization. At June 30, 2002 SCLAA's investments consisted of the following:

<u>Form of Investment</u>	<u>Carrying Amount</u>
Investments held by fiscal agent not subject to categorization:	
Mutual funds	<u>\$ 5,544,094</u>
Total investments	<u>\$ 5,544,094</u>

The carrying amount of investments reflected above is at fair value.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to Financial Statements

(Continued)

**(3) Property, Plant and Equipment**

The following is a summary of changes in property, plant and equipment for SCLAA at June 30, 2002:

	<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Land	\$ -	1,259,750	-	1,259,750
Buildings	383,201	-	-	383,201
Improvements	8,862,306	-	-	8,862,306
Furniture and equipment	<u>1,826,508</u>	<u>217,744</u>	-	<u>2,044,252</u>
Subtotal	11,072,015	1,477,494	-	12,549,509
Less accumulated depreciation	<u>(973,086)</u>	<u>(506,175)</u>	-	<u>(1,479,261)</u>
Totals	<u>\$ 10,098,929</u>	<u>971,319</u>	-	<u>11,070,248</u>

**(4) Advance from City of Victorville**

As of June 30, 2002, an advance from the City of Victorville was made to SCLAA in order to correct its negative cash. The advance was made without a formal agreement, and contains no interest rate or repayment date. It is classified in the accompanying financial statements as Advance from City of Victorville.

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2002 is noted below:

	<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2002</u>
Tax Allocation Bonds:				
2001 Tax Allocation Bonds	\$ -	13,560,000	-	13,560,000
Less: amortized discounts	-	<u>(740,050)</u>	-	<u>(740,050)</u>
Totals	<u>\$ -</u>	<u>12,819,950</u>	-	<u>12,819,950</u>

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

Tax Allocation Bonds, Series 2001

In November 2001, the Southern California Logistics Airport Authority issued \$13,560,000 principal amount of Tax Allocation Bonds, Series 2001. The proceeds were used to defease the Victor Valley Economic Development Authority Taxable Lease Revenue Notes, Series 1996 and finance certain public capital improvements benefiting the Southern California Logistics Airport.

Bonds maturing on December 1, 2008, December 1, 2013 and December 1, 2031 in the amounts of \$840,000, \$1,335,000 and \$11,385,000 are term bonds. The outstanding bonds bear interest at 5.375% to 6.50% due June 1 and December 1 of each year.

The bonds maturing on or after December 1, 2011 are subject to optional redemption in whole or in part by lot with premium of 2%, 1% and 0% for periods December 1, 2011 to November 31, 2012, December 1, 2012 to November 31, 2013 and December 1, 2013 and thereafter, respectively.

The bonds maturing on December 1, 2008, December 1, 2013 and December 1, 2031 are subject to mandatory redemption in whole or in part by lot, without premium, commencing December 1, 2005, December 1, 2009 and December 1, 2014, respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is \$1,055,000. As of June 30, 2002, the reserve amount was \$1,062,872. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$740,050) at June 30, 2002 is \$12,819,950.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding SCLAA debt as of June 30, 2002, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30</u>	<u>Tax Allocation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2003	\$ -	859,792
2004	-	858,600
2005	195,000	858,600
2006	205,000	853,359
2007	215,000	842,609
2008	225,000	831,322
2009	240,000	819,497
2010	255,000	806,850
2011	265,000	793,237
2012	280,000	778,937
2013	295,000	763,950
2014	310,000	748,137
2015	335,000	729,950
2016	355,000	708,987
2017	375,000	686,563
2018	400,000	662,837
2019	430,000	637,650
2020	455,000	610,675
2021	485,000	581,913
2022	515,000	551,363
2023	550,000	518,863
2024	585,000	484,250
2025	625,000	447,363
2026	665,000	408,037
2027	710,000	366,113
2028	755,000	321,425
2029	805,000	273,813
2030	855,000	223,113
2031	2,175,000	169,163
2032	-	70,687
Subtotal	13,560,000	18,267,655
Less:		
Unamortized discount	<u>740,050</u>	<u>-</u>
Total	<u>\$12,819,950</u>	<u>18,267,655</u>

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to Financial Statements

(Continued)

(6) Deficit in Fund Equity

As of June 30, 2002, Southern California Logistics Airport Authority had a deficit in fund equity of \$10,644,782.

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