NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: S&P: "BBB-"**
Moody's: "Baa3"

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law the 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 (the "Code") from the gross income of the owners thereof for federal income tax purposes and is not an item of preference under section 57(a) of the Code for purposes of the federal alternative minimum tax. See "TAX MATTERS" herein.

$42,000,000
SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SUBORDINATE TAX ALLOCATION REVENUE BONDS
(SOUTHERN CALIFORNIA LOGISTICS AIRPORT PROJECT) SERIES 2007

Dated: Date of Delivery Maturity Date: December 1, as shown on inside cover

The Southern California Logistics Airport Authority Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2007 (the "Bonds") will be issued pursuant to the terms of an Indenture, dated as of December 1, 2007 (the "Indenture") by and between the Southern California Logistics Airport Authority (the "Authority") and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The Bonds are being issued on a subordinate basis with certain existing obligations of the Authority. See "INTRODUCTORY STATEMENT – Security for the Bonds" herein.

Interest with respect to the Bonds shall accrue at the rate of interest set forth in the maturity schedule on the inside cover hereof. Interest on the Bonds is due and payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2008.

The Bonds are being executed and delivered as fully registered bonds, in denominations of $5,000 principal amount or integral multiples 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 amount, premium, if any, and interest on the Bonds will be paid by the Trustee directly to DTC, which will, in turn, remit such principal amount, 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 redevelopment activities benefiting the Southern California Logistics Airport, (ii) fund the Reserve Account for the Bonds, and (iii) 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 through the facilities of DTC on or about December 12, 2007.

KINSELL, NEWCOMB & DE DIOS, INC.
INVESTMENT BANKING

Dated: December 5, 2007

Maturity Schedule
(Base CUSIP*: 842472)

$42,000,000
Southern California Logistics Airport Authority
Subordinate Tax Allocation Revenue Bonds
(Southern California Logistics Airport Project)
Series 2007

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	CUSIP* (842472)
2008	$480,000	4.000%	4.000%	CL4
2009	425,000	4.200	4.200	DB5

$1,395,000 4.375% Term Bonds due December 1, 2012; Yield 4.500% CUSIP* CM2

$2,805,000 5.250% Term Bonds due December 1, 2017; Yield 5.300% CUSIP* CN0

$3,640,000 5.375% Term Bonds due December 1, 2022; Yield 5.600% CUSIP* CP5

$4,745,000 5.600% Term Bonds due December 1, 2027; Yield 5.800% CUSIP* CQ3

$3,000,000 5.900% Term Bonds due December 1, 2032; Yield 6.050% CUSIP* CR1

$3,275,000 6.000% Term Bonds due December 1, 2032; Yield 6.050% CUSIP* DC3

$3,325,000 5.900% Term Bonds due December 1, 2037; Yield 6.100% CUSIP* CS9

$3,800,000 6.000% Term Bonds due December 1, 2037; Yield 6.100% CUSIP* DD1

$1,250,000 6.100% Term Bonds due December 1, 2037; Yield 6.100% CUSIP* DE9

$9,210,000 5.900% Term Bonds due December 1, 2043; Yield 6.150% CUSIP* CT7

$4,650,000 6.150% Term Bonds due December 1, 2043; Yield 6.150% CUSIP* DF6

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.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

OFFICIAL STATEMENT

$42,000,000
SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SUBORDINATE TAX ALLOCATION REVENUE BONDS
(SOUTHERN CALIFORNIA LOGISTICS AIRPORT PROJECT) SERIES 2007

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 $42,000,000 aggregate principal amount of its Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2007 (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 "Redevelopment Law"), and the Indenture, dated as of December 1, 2007 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). 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 redevelopment activities benefiting the Southern California Logistics Airport, (ii) fund a Reserve Account for the Bonds, and (iii) 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.

Victor Valley Economic Development Authority

The Victor Valley Economic Development Authority ("VVEDA") is a joint exercise of powers authority established in 1989, 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 a joint exercise of powers agreement, subsequently amended and restated as the Fourth Amended and Restated Joint Exercise of Powers Agreement Creating Victor Valley Economic Development Authority. 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. 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 authority, it is authorized to exclusively exercise the powers of a redevelopment agency pursuant to Section 33492.40 of the Redevelopment 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 "Airport"). VVEDA originally adopted as redevelopment plan in 1993. Such redevelopment plan, as modified by eight amendments as of the date of this Official Statement, is referred to herein as the "Redevelopment Plan." The redevelopment project area (the "VVEDA Project Area") includes the Airport and certain areas in proximity thereto.

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 authority 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 Airport to the Authority. 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 for use on the Airport pursuant to the VVEDA JPA, to finance redevelopment activities within and benefiting the Airport. See "THE AUTHORITY" herein.

VVEDA Project Area

On December 28, 1993, pursuant to special legislation (formerly Section 33320.5 of the Redevelopment Law, renumbered as Section 33492.40), VVEDA adopted its original Redevelopment Plan. The project area (the "1993 Project Area") under such original Redevelopment Plan included the Airport and 44,813 acres of adjacent properties within the territorial jurisdictions of the VVEDA Members. Due to an economic recession, the 1993 Project Area generated no tax increment revenues during its first few years of existence. VVEDA sought and obtained special legislation, which established 1997-98 as the base year for purposes of calculating Tax Increment Revenues for the 1993 Project Area. On July 12, 2000, VVEDA adopted the fourth amendment of the Redevelopment Plan under which the City of Adelanto became a member entity of VVEDA and certain territories encompassing 15,705 acres (the "Fourth Amendment Added Area") within the City of Adelanto and the City and unincorporated areas of the County were added to the VVEDA Project Area. On December 20, 2006, VVEDA adopted the eighth amendment of the Redevelopment Plan, pursuant to which 24,610 acres (the "Eighth Amendment Added Area") within the City of Adelanto and the City, the Town of Apple Valley, and the County were again added to the VVEDA Project Area. The Fourth Amendment Added Area and the Eighth Amendment Added Area both lie in proximity to the Airport as required by Section 33492.40 of the Redevelopment Law. The VVEDA Project Area (i.e., the combined 1993 Project Area, the Fourth Amendment Added Area, and the Eighth Amendment Added Area) now consists of approximately 85,128 acres.

Tax Allocation Financing

The Redevelopment 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.

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, on a subordinate basis to the Senior Bonds (A) all tax increment revenues generated on the parcels comprising the Airport 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 Redevelopment Law, (ii) amounts, if any, payable to a taxing entity and (iii) 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 the Airport, 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 Redevelopment Law, (ii) amounts, if any, payable to a taxing entity and (iii) amounts, if any, received by the VVEDA Members pursuant to Section 16111 of the Government Code, (C) the Ground Lease Guaranty, and (D) the Victorville Pledge. (See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledged Tax Revenues").

The Senior Bonds are comprised of the following bonds:

Southern California Logistics Airport Authority Tax Allocation Parity Bonds (Southern California Logistics Airport Project) Series 2005A (the "2005 Bonds") in the aggregate principal amount of $42,185,000. Currently, $26,225,000 aggregate principal amount of the 2005 Bonds are outstanding. On December 2, 2007, $25,570,000 aggregate principal amount of the 2005 Bonds will be outstanding.

Southern California Logistics Airport Authority Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Taxable Series 2006 (the "2006 Taxable Bonds") in the aggregate principal amount of $45,020,000. Currently, $45,020,000 aggregate principal amount of the 2006 Taxable Bonds are outstanding. On December 2, 2007, $42,905,000 aggregate principal amount of the 2006 Taxable Bonds will be outstanding.

Southern California Logistics Airport Authority Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Refunding Series 2006 (the "2006 Tax-Exempt Bonds") in the aggregate principal amount of $62,780,000. Currently, $60,555,000 aggregate principal amount of the 2006 Tax-Exempt Bonds are outstanding. On December 2, 2007, $59,840,000 aggregate principal amount of the 2006 Tax-Exempt Bonds will be outstanding.

Southern California Logistics Airport Authority Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Taxable Forward Series (the "2006 Taxable Forward Bonds") in the aggregate principal amount of $34,980,000. Currently, $34,980,000 aggregate principal amount of the 2006 Taxable Forward Bonds are outstanding. On December 2, 2007, $34,930,000 aggregate principal amount of the 2006 Taxable Forward Bonds will be outstanding.

Southern California Logistics Airport Authority Taxable Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2006 (the "2006 Taxable Subordinate Bonds") in the aggregate principal amount of $64,165,000. Currently, $64,165,000 aggregate principal amount of the 2006 Taxable Subordinate Bonds are outstanding. On December 2, 2007, $63,770,000 aggregate principal amount of the 2006 Subordinate Bonds will be outstanding.

Other than for the purpose of refunding any Senior Bonds currently outstanding (which refunding bonds shall have a maturity date no later than the Senior Bonds being refunded), the Authority may not issue any bonds, notes, certificates, debentures or other obligations or evidences of indebtedness on a parity with the Senior Bonds. Furthermore, the Authority may not issue any bonds, notes, certificates, debentures or other obligations or evidences of indebtedness payable from Tax Increment Revenues allocable to the Authority pursuant to the Redevelopment Plan, the VVEDA JPA or the SCLAA JPA on a basis senior to the Bonds.

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, any Supplemental Indentures, the Redevelopment 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 Redevelopment 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 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 forms 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 used to finance certain other redevelopment activities benefiting the Airport including, but not limited to, the following:

The Authority is currently preparing to enter into development contracts and leases that would result in the furtherance of airport improvements, a municipal utility power plant expansion, an inter-modal rail development and other public infrastructure improvements. The following generally outlines the proposed expenditures and capital items relating to said expenditures:

Airport Improvements:
Construction of a new air traffic control tower, widening of existing runways, relocation and construction of new fuel tanks and additional on-airport improvements.

Municipal Utilities:
Victorville Municipal Utility Services will purchase and install power generating equipment for the production of power and thermal bi-products for energy consumers at the Airport. Proceeds may also be used to fund land acquisition, professional services, equipment and public infrastructure necessary to obtain a permit from the State of California to build a 550 mega-watt, combined cycle power plant with a renewable solar energy component.

Inter-modal Rail Development:
To facilitate the ultimate build out of an inter-modal rail facility for the Burlington Northern Santa Fe Railroad (BNSF), the Authority may fund civil engineering, right of way acquisition, mass grading, rail installation and roadway improvements.

Public Improvements:
Roadway improvements include but are not limited to Innovation Way, Aerospace Blvd, George Blvd, Eagle, Nevada and Gateway Streets. Underground improvements include sewer, water, reclaimed water, drainage, electric, gas, telephone and cable television. Above ground improvements include traffic signals and streetlights.

Building Demolition:
To include the demolition of existing commercial structures at the Airport that are no longer suitable for commercial uses due to physical obsolescence. Costs associated with building demolition also include abatement costs and public utility upgrades.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds is summarized as follows:

Sources	
Principal Amount of the Bonds	$42,000,000.00
Original Issue Discount	(766,708.40)
Underwriter's Discount	(735,000.00)
Total Sources	$40,498,291.60
Uses	
Capital Projects	$37,446,631.60
Reserve Account	2,819,660.00
Expense Fund (1)	232,000.00
Total Uses	$40,498,291.60

(1) 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 Redevelopment Law and shall be dated the date of their initial delivery. The principal of the Bonds is payable on the maturity dates of the respective Bonds or the earlier redemption of such Bonds. Interest on the Bonds is payable on June 1 and December 1 in each of the years, commencing on June 1, 2008, and in the principal amounts set forth on the inside cover page of this Official Statement.

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 bonds in the denomination of $5,000 principal amount, 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, 2017, 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, 2012 (aggregate principal amount $1,395,000), December 1, 2017 (aggregate principal amount $2,805,000), December 1, 2022 (aggregate principal amount $3,640,000), December 1, 2027 (aggregate principal amount $4,745,000), December 1, 2032 (aggregate principal amount $3,000,000), December 1, 2032 (aggregate principal amount $3,275,000), December 1, 2037 (aggregate principal amount $3,325,000), December 1, 2037 (aggregate principal amount $3,800,000), December 1, 2037 (aggregate principal amount $1,250,000), December 1, 2043 (aggregate principal amount $9,210,000) and December 1, 2043 (aggregate principal amount $4,650,000) are subject to mandatory redemption, in part by lot, on December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2028, December 1, 2028, December 1, 2033, December 1, 2033, December 1, 2033, December 1, 2038 and December 1, 2038, 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:

$1,395,000 Bonds Maturing December 1, 2012

Redemption Date (December 1)	Principal Amount
2010	$445,000
2011	465,000
2012 (maturity)	485,000

$2,805,000 Bonds Maturing December 1, 2017

Redemption Date (December 1)	Principal Amount
2013	$505,000
2014	530,000
2015	560,000
2016	590,000
2017 (maturity)	620,000

$3,640,000 Bonds Maturing December 1, 2022

Redemption Date (December 1)	Principal Amount
2018	$655,000
2019	690,000
2020	725,000
2021	765,000
2022 (maturity)	805,000

$4,745,000 Bonds Maturing December 1, 2027

Redemption Date (December 1)	Principal Amount
2023	$850,000
2024	895,000
2025	945,000
2026	1,000,000
2027 (maturity)	1,055,000

$3,000,000 Bonds Maturing December 1, 2032

Redemption Date (December 1)	Principal Amount
2028	$530,000
2029	565,000
2030	600,000
2031	635,000
2032 (maturity)	670,000

$3,275,000 Bonds Maturing December 1, 2032

Redemption Date (December 1)	Principal Amount
2028	$585,000
2029	615,000
2030	650,000
2031	690,000
2032 (maturity)	735,000

$3,325,000 Bonds Maturing December 1, 2037

Redemption Date (December 1)	Principal Amount
2033	$590,000
2034	625,000
2035	665,000
2036	700,000
2037 (maturity)	745,000

$3,800,000 Bonds Maturing December 1, 2037

Redemption Date (December 1)	Principal Amount
2033	$675,000
2034	715,000
2035	755,000
2036	805,000
2037 (maturity)	850,000

$1,250,000 Bonds Maturing December 1, 2037

Redemption Date (December 1)	Principal Amount
2033	$220,000
2034	235,000
2035	250,000
2036	265,000
2037 (maturity)	280,000

$9,210,000 Bonds Maturing December 1, 2043

Redemption Date (December 1)	Principal Amount
2038	$1,320,000
2039	1,400,000
2040	1,485,000
2041	1,570,000
2042	1,665,000
2043 (maturity)	1,770,000

$4,650,000 Bonds Maturing December 1, 2043

Redemption Date (December 1)	Principal Amount
2038	$665,000
2039	705,000
2040	750,000
2041	795,000
2042	840,000
2043 (maturity)	895,000

General Redemption Provisions

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 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 tables below provide a summary of the annual debt service payments with respect to the Bonds.

Bond Year Ending December 1	Principal	Interest	Annual Total
2008	$ 480,000.00	$ 2,336,364.75	$ 2,816,364.75
2009	425,000.00	2,390,803.76	2,815,803.76
2010	445,000.00	2,372,953.76	2,817,953.76
2011	465,000.00	2,353,485.00	2,818,485.00
2012	485,000.00	2,333,141.26	2,818,141.26
2013	505,000.00	2,311,922.50	2,816,922.50
2014	530,000.00	2,285,410.00	2,815,410.00
2015	560,000.00	2,257,585.00	2,817,585.00
2016	590,000.00	2,228,185.00	2,818,185.00
2017	620,000.00	2,197,210.00	2,817,210.00
2018	655,000.00	2,164,660.00	2,819,660.00
2019	690,000.00	2,129,453.76	2,819,453.76
2020	725,000.00	2,092,366.26	2,817,366.26
2021	765,000.00	2,053,397.50	2,818,397.50
2022	805,000.00	2,012,278.76	2,817,278.76
2023	850,000.00	1,969,010.00	2,819,010.00
2024	895,000.00	1,921,410.00	2,816,410.00
2025	945,000.00	1,871,290.00	2,816,290.00
2026	1,000,000.00	1,818,370.00	2,818,370.00
2027	1,055,000.00	1,762,370.00	2,817,370.00
2028	1,115,000.00	1,703,290.00	2,818,290.00
2029	1,180,000.00	1,636,920.00	2,816,920.00
2030	1,250,000.00	1,566,685.00	2,816,685.00
2031	1,325,000.00	1,492,285.00	2,817,285.00
2032	1,405,000.00	1,413,420.00	2,818,420.00
2033	1,485,000.00	1,329,790.00	2,814,790.00
2034	1,575,000.00	1,241,060.00	2,816,060.00
2035	1,670,000.00	1,146,950.00	2,816,950.00
2036	1,770,000.00	1,047,165.00	2,817,165.00
2037	1,875,000.00	941,400.00	2,816,400.00
2038	1,985,000.00	829,365.00	2,814,365.00
2039	2,105,000.00	710,587.50	2,815,587.50
2040	2,235,000.00	584,630.00	2,819,630.00
2041	2,365,000.00	450,890.00	2,815,890.00
2042	2,505,000.00	309,367.50	2,814,367.50
2043	2,665,000.00	159,472.50	2,824,472.50
Total	**$42,000,000.00**	**$59,424,944.81**	**$101,424,944.81**

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

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 is defined in the Indenture to mean, on a subordinate basis to the Senior Bonds, (A) all tax increment revenues generated on the parcels comprising the Airport 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 Redevelopment Law, (ii) amounts, if any, payable to a taxing entity and (iii) 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 the Airport, 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 Redevelopment Law, (ii) amounts, if any, payable to a taxing entity and (iii) amounts, if any, received by the VVEDA Members pursuant to Section 16111 of the Government Code, (C) the Ground Lease Guaranty, and (D) the Victorville Pledge.

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." See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes" below and "APPENDIX A – SUMMARY OF THE INDENTURE."

Ground Lease Guaranty

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 Airport 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 obligation to pay the Additional Rent expires on January 1, 2024.

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"), which is an indirect wholly owned subsidiary of Tenaska Power Fund, L.P., a Delaware limited partnership and TPF Genco Coinvestment Fund, L.P., a Delaware limited partnership.

Such obligation of HDPP to pay Additional Rent is referred to herein as the "Ground Lease Guaranty." See "RISK FACTORS – Ground Lease Guaranty Unsecured Obligation" and "THE VVEDA PROJECT AREA – City of Victorville."

HDPP has never been required to pay Additional Rent under the Lease. Based on Fiscal Year 2007-08 assessed valuation of the Facilities, no Additional Rent is expected to be paid.

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

Allocation Under Redevelopment Plan and VVEDA JPA. As provided in the Redevelopment Plan, as modified by Section 100.7 of the California Revenue and Taxation Code (see "VVEDA PROJECT AREA – Original Redevelopment Plan and Amendments"), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the 1993 Project Area each year by or for the benefit of the State or any VVEDA Member, city, district or other public corporation (hereinafter collectively referred to as "taxing agencies") for each fiscal year beginning after the effective date of the ordinance of VVEDA approving the Redevelopment Plan, are 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 1997-98 assessment roll used in connection with the taxation of such property by such taxing agency, is allocated to and, when collected, paid to the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid; and

2. That portion of said levied taxes each year in excess of such amount are 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") is 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 9 of Exhibit 10B, column number 8 of Exhibits 10E and 10F 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 is also 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 8 of Exhibit 10D of the Fiscal Consultant's Report attached hereto as Appendix D);

(ii) with respect to the 1993 Project Area, VVEDA is 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 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 9 of Exhibit 10B and column number 8 of Exhibits 10C, 10D, 10E and 10F 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 is to be allocated as Tax Increment Revenues for VVEDA use, the total amount of property taxes generated in excess of the amount provided above.

In addition, VVEDA entered into pass-through agreements with the San Bernardino County Superintendent of Schools (the "County Superintendent"), 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 9 of Exhibit 10B and column number 8 of Exhibits 10C, 10D, 10E and 10F of the Fiscal Consultant's Report attached hereto as Appendix D.

All taxes levied upon taxable property within the Fourth Amendment Added Area and the Eighth Amendment 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 Fourth Amendment Added Area and the Eighth Amendment Added Area, respectively, are 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 Fourth Amendment Added Area or the Eighth

Amendment Added Area, as applicable, 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, is allocated to and, when collected, 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 Fourth Amendment Added Area or the Eighth Amendment Added Area, as applicable, 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 is 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 is 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 Fourth Amendment Added Area or the Eighth Amendment Added Area, as applicable.

3. That portion of such levied taxes each year in excess of such amount is allocated to and when collected, paid into, a special fund of VVEDA to pay the principal of and interest on loans, monies advanced to or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by VVEDA to finance or refinance in whole or in part, the redevelopment activities undertaken by VVEDA and the Redevelopment Plan. Unless and until the total assessed valuation of the taxable property in the Fourth Amendment Added Area or the Eighth Amendment Added Area, as applicable, exceeds the total assessed value of the taxable property in such area as shown by the last equalized assessment roll referred to in paragraph (1) above, all of the taxes levied and collected upon the taxable property in such area are paid to the respective taxing agencies. When such loans, advances, and indebtedness, if any, and interest thereon, have been paid, all monies thereafter received from taxes upon the taxable property in the Fourth Amendment Added Area and Eighth Amendment Added Area are paid to the respective taxing agencies as taxes on all other property are paid.

4. That portion of the taxes in excess of the amount identified in paragraph (1) above which is attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of and interest on any bonded indebtedness for the acquisition or improvement of real property is allocated to, and when collected, paid into, the fund of that taxing agency. This

paragraph (4) only applies to taxes levied to repay bonded indebtedness approved by the voters on or after January 1, 1989.

5. With respect to the Fourth Amendment Added Area and the Eighth Amendment Added Area, VVEDA is not to allocate as Tax Increment Revenue that portion of the percentage share of the one percent property tax rate attributable to the Mojave Water Agency.

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 (the "Housing Set-Aside") 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 8 of Exhibit 10B and column number 7 for Exhibits 10C, 10D, 10E, 10F, 10G, 10H and 10I of the Fiscal Consultant's Report attached hereto as Appendix D). The Redevelopment Plan permits a VVEDA Member to defer its portion of the Housing Set-Aside deposit for a period up to five years. None of the VVEDA Members has elected to make any such deferral.

The remaining balance of VVEDA Members Tax Increment Revenues, after the twenty percent set aside amounts for low and moderate income housing purposes (such remaining balance being referred to herein as the "Net Revenues"), fifty percent (50%) of the Net Revenues attributable to any Original Member's territory, exclusive of the Airport parcels, will be allocated for use in such Original Member's territory and the other fifty percent (50%) attributable to such Original Member's territory will be allocated solely for use on the Airport. Such percentages were different before the reimbursement of certain VVEDA Member prior contribution. The reimbursement have been made in full.

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.

Pass-Throughs to Taxing Agencies. Prior to the enactment of Assembly Bill 1290 ("AB 1290") by the State Legislature in 1994, 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 redevelopment 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.

California Health and Safety Code Section 33607.5 and Section 33607.7 were added to the Redevelopment Law by AB 1290. Section 33607.7 has been further amended by SB 211, Chapter 741, Statutes 2001 ("SB 211"). AB 1290 prohibited redevelopment agencies from entering into future pass-through agreements. AB 1290 did not, however, affect existing pass-through agreements. California Health and Safety Code Section 33607.5 and Section 33607.7, together, require that taxing entities receive an additional portion of tax increment revenues (the "AB 1290 Payments") otherwise payable to the redevelopment agency, if such taxing entities were affected by (i) the adoption after January 1, 1994, of a new redevelopment plan for a project area or an amendment to an existing redevelopment plan that added territory to a project area, or (ii) the adoption after January 1, 1994 of an amendment (to a redevelopment plan that was adopted before January 1, 1994) which: (A) extends the time limit on incurring debt with respect to the project area, (B) extends the time limits for the duration and effectiveness of the redevelopment plan or the time limit for establishing indebtedness or (C) increases the dollar cap on the amount of tax increment revenues allocable to the redevelopment agency for the project area (unless the taxing entity is already covered under an existing pass-through agreement).

As discussed above under "*Allocation Under Redevelopment Plan and VVEDA Agreement*," there are negotiated pass-throughs associated with the 1993 Project Area. As set forth in the Redevelopment Plan, Tax Increment Revenues allocated to VVEDA with respect to the 1993 Project Area do not include that portion of the percentage share of the one percent property tax rate attributable to the Apple Valley Fire Protection District, the Mojave Water Agency, the Baldy Mesa Water District, the Mojave River County Water District, the Apple Valley Park District or the Hesperia Park District. In addition, VVEDA has entered into separate pass-through agreements with various school and community college districts: the County Superintendent, the Adelanto School District, the Apple Valley Unified School District, the Hesperia Unified School District, the Oro Grande School District, the Victor Elementary School District, the Victor Valley Union High School District and the Victor Valley Community College District. Pursuant to these agreements, with respect to the 1993 Project Area, the County Superintendent receives 100 percent of its share of the one percent general property tax revenues that otherwise would have been paid to the County Superintendent but for the adoption of the Redevelopment Plan, and each of the other districts receives 32.5 percent of its share of the one percent general property tax revenues that otherwise would have been paid to such district but for the adoption of the Redevelopment Plan. See the discussion under the caption "TAXING AGENCY PAYMENTS" and Exhibit 6, each contained in the Fiscal Consultant's Report attached hereto as Appendix D.

According to the Fiscal Consultant, only one affected taxing agency with jurisdiction within the Town of Apple Valley's portion of the 1993 Project Area – the Mojave Desert Resource Conservation District (the "Conservation District") – is not covered by the negotiated pass-through agreements described in the preceding paragraph. Because various time limits with respect to the 1993 Project Area have been extended pursuant to prior amendments to the Redevelopment Plan (see "VVEDA PROJECT AREA – Original Redevelopment Plan and Amendments"), the possibility exists that the Conservation District would be entitled to AB 1290 Payments in the year following the year that the duration of the Redevelopment Plan with respect to the 1993 Project Area would have originally expired. However, this is in question because VVEDA might be exempt from such AB 1290 Payments due to the special legislation applicable to VVEDA. To maintain a conservative estimate of revenues, the Fiscal Consultant has included the potential AB 1290 Payments to the Conservation District in the projections set forth in the table under the caption "PLEDGED TAX REVENUES – Projected Pledged Tax Revenues and Debt Service Coverage" and Exhibit 10E of the Fiscal Consultant's Report attached as Appendix D.

The affected taxing agencies receive AB 1290 Payments with respect to the Fourth Amendment Added Area and the Eight Amendment Added Area.

Housing Set-Aside. Generally, pursuant to Sections 33492.40(e) and 33334.2 of the Redevelopment Law, not less than 20 percent of all taxes allocated to VVEDA with respect to the Project Area constitute the Housing Set-Aside and must be deposited in a Low and Moderate Income Housing Fund to be used for the purposes of improving, increasing and preserving the 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. Section 33492.40(e) of the Redevelopment Law permits VVEDA to defer the Housing Set-Aside, in whole or in part, for a specified period upon making certain findings. VVEDA has made such findings. The Redevelopment Plan, as amended by the sixth amendment (approved by Ordinance No. 10, adopted on June 23, 2004) and further modified by the seventh amendment (approved by Ordinance No. 11, adopted on June 8, 2005), provides that a VVEDA Member may elect to defer such Member's portion of the Housing Set-Aside for a period of up to five fiscal years. Once a VVEDA Member makes this deferment election, the repayment of the Housing Set-Aside so deferred will be subordinate to any obligation of such Member payable from Tax Increment Revenues of the Project Area. The repayment must be made by July 12, 2045, commencing in the fiscal year immediately following the fiscal year in which the last deferment is made. No VVEDA Member has elected to defer its portion of the Housing Set-Aside.

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, with respect to any Bond Year, equal to the least of (i) 10% of the aggregate original issue price of the Bonds, (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.

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 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 Bonds theretofore issued under their respective indentures, 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 Redevelopment 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. For each Bond Year of the Additional Obligations, 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 (as defined below), shall be in an amount equal to at least 125% of the annual debt service on the Senior Bonds, the Bonds, any Additional Obligations and any unsubordinated loans, advances or indebtedness payable from Pledged Tax Revenues on a parity with the Bonds pursuant to the Redevelopment Law, all as evidenced by a Consultant's Report. In the Bond Years where Senior Bonds are no longer outstanding, the Pledged Tax Revenues shall be calculated without regard to the annual debt service on the Senior Bonds.

d. "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, per values provided by the County Tax Assessor, 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.

e. For the purposes of calculating Pledged Tax Revenues, the Pledged Tax Revenues are to be adjusted to reflect (1) having no single taxpayer accounting for more than five percent (5%) of Tax Increment Revenues and (2) the maximum cash flow impact of all pending appeals and lawsuits.

f. Cannot carry a variable rate of interest.

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.

No Additional Senior Obligations

Other than for the purpose of refunding any Senior Bonds currently outstanding (which refunding bonds shall have a maturity date no later than the Senior Bonds being refunded), the Authority may not issue any bonds, notes, certificates, debentures or other obligations or evidence of indebtedness on a parity with the Senior Bonds. Furthermore, the Authority may not issue any bonds, notes, certificates, debentures or other obligations or evidence of indebtedness payable from Tax Increment Revenues allocable to the Authority pursuant to the Redevelopment Plan, the VVEDA JPA or the SCLAA JPA on a basis senior to 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. See "APPENDIX D – REPORT OF FISCAL CONSULTANT."

VVEDA PROJECT AREA
HISTORICAL ASSESSED VALUATIONS AND TAX INCREMENT RECEIPTS

	2003-04	2004-05	2005-06	2006-07	2007-08
Local Secured	$2,088,417,795	$2,499,642,200	$3,059,019,336	$4,053,772,010	$5,405,379,320
Secured Utility	475,685,108	488,900,000	484,561,216	472,724,547	481,104,400
Unsecured	100,473,349	106,013,500	115,415,054	134,887,338	371,021,228
Total	2,664,576,252	3,094,555,700	3,658,995,606	4,661,333,895	6,257,504,948
Less: Base Year (1997/98)	(1,808,804,706)	(1,808,804,706)	(1,808,804,706)	(1,808,804,706)	(1,807,230,185)
Incremental Value	855,771,546	1,285,750,994	1,850,190,900	2,852,529,189	4,450,274,763
Estimated Increment @ 1%	8,580,741	12,870,883	18,501,909	28,525,292	44,502,748
Actual Allocation Per County	8,325,051	12,856,500	19,100,367	28,639,180	n/a
Actual Revenue Received	8,302,611	15,021,532	23,661,908	34,601,023	n/a
Distribution of Revenue Received					
Member Jurisdictions					
Low Mod Housing Fund	1,660,522	$3,004,307	4,732,382	6,920,205	n/a
SCLA	3,243,690	5,230,048	6,335,165	10,943,997	n/a
Victorville	505,568	1,273,578	2,212,817	5,406,637	n/a
Apple Valley	195,344	426,144	696,570	1,454,184	n/a
Hesperia	74,884	127,483	180,245	378,592	n/a
County	43,715	59,742	61,090	136,882	n/a
Adelanto	--	--	26,653	146,656	n/a
Prior Contribution Fund	412,412	949,310	949,310	-	n/a
Total	$6,136,135	$11,070,612	$15,194,232	$25,387,152	n/a
Pass Throughs to Affected Districts	$ 2,166,476	$ 3,950,921	$ 3,950,921	$ 9,213,871	n/a

Source: Fiscal Consultant.

VVEDA PROJECT AREA – VICTORVILLE AND SCLA SUBAREAS
HISTORICAL ASSESSED VALUATIONS

	2003-04	2004-05	2005-06	2006-07	2007-08
Victorville					
Total	$1,399,618,600	$1,688,509,500	$2,101,436,000	$2,858,551,477	$ 3,834,890,000
Base Year	1,166,037,800	1,166,037,800	1,166,037,800	1,166,037,800	1,165,325,600
Increment	233,580,800	522,471,700	935,398,200	1,692,513,677	2,669,564,400
SCLA					
Total	$454,585,600	$531,774,400	$524,995,300	$520,210,897	$761,252,300
Base Year	7,854,300	7,854,300	7,854,300	7,854,300	7,854,300
Increment	446,731,300	523,920,100	517,141,000	512,356,597	753,398,000

Source: Fiscal Consultant.

Assessment Appeals History

The table below presents a summary of the appeals activity in Victorville and the Authority's portion of the project area. See also "RISK FACTORS – Property Assessment Appeals" herein.

Projected Pledged Tax Revenues and Debt Service Coverage

The Authority's fiscal consultant prepared the projections of Pledged Tax Revenues as set forth in "Exhibit 10A" 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 2007-08, 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.

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 2007-08. The largest secured property taxpayers represent 15.09% of the Fiscal Year 2007-08 secured assessed value of all taxable property within the VVEDA Project Area.

VVEDA PROJECT AREA
LARGEST 2007-08 SECURED TAXPAYERS

	Property Owner	# of Parcels	2007-08[1] Assessed Valuation	% of Total [1]
1.	High Desert Power Trust	1	$481,000,000	7.69%
2.	Riverside Cement Co.	28	212,935,690	3.40
3.	Cemex California Cement LLC	21	70,758,499	1.13
4.	Apple Valley Ranchos Water Co.	8	33,772,663	0.54
5.	Empire Homes	166	32,412,120	0.52
6.	Standard Pacific Corp.	212	27,328,601	0.44
7.	K. Hovnanian Forecast Homes Inc.	125	24,277,514	0.39
8.	Victorville Tefft Llc	3	22,950,000	0.37
9.	General Electric Company	20	20,870,778	0.33
10.	Apple Valley Commons I LLC	31	17,990,924	0.29
		615	$944,296,789	15.09%

[1] 2007-08 Total Secured Assessed Valuation: $6,257,504,948.
Source: Fiscal Consultant.

VVEDA PROJECT AREA - VICTORVILLE AND SCLA SUBAREAS
LARGEST 2007-08 SECURED TAXPAYERS

	Owner Name	# of Parcels	Total Assessed Value	% of Total
1.	High Desert Power Trust	1	$481,000,000	10.63
2.	Cemex California Cement LLC	12	70,550,112	1.56
3.	Empire Homes LLC	166	32,412,120	0.72
4.	Standard Pacific Corp	212	27,328,601	0.60
5.	Victorville Tefft Llc	3	22,950,000	0.51
6.	General Electric Company	20	20,870,778	0.46
7.	K. Hovnanian Forecast Homes Inc.	3	20,022,600	0.44
8.	Century Crowell Santa Rosa LLC	117	17,736,075	0.39
9.	Lowe's H I W Inc.	1	16,243,414	0.36
10.	Bear Valley Partners	11	15,929,280	0.35
			$725,042,980	16.02%
	2007-08 Victorville and SCLA Assessed Value		$4,525,748,209	

Source: Fiscal Consultant.

Pass-Through Payments to Taxing Agencies

As discussed above under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes – Pass-Throughs to Taxing Agencies," taxes allocated to VVEDA with respect to the VVEDA Project Area are subject to certain pass-through payments to affected taxing entities. Pledged

Tax Revenues securing the Bonds do not include amounts that are required for pass-through payments for the VVEDA Project Area.

There are negotiated pass-throughs associated with the 1993 Project Area. As set forth in the Redevelopment Plan, Tax Increment Revenues allocated to VVEDA with respect to the 1993 Project Area do not include that portion of the percentage share of the one percent property tax rate attributable to the Apple Valley Fire Protection District, the Mojave Water Agency, the Baldy Mesa Water District, the Mojave River County Water District, the Apple Valley Park District or the Hesperia Park District. VVEDA also entered into pass-through agreements with various school and community college districts. Pursuant to these agreements, with respect to the 1993 Project Area, the County Superintendent receives 100 percent of its share of the one percent general property tax revenues that otherwise would have been paid to the County Superintendent but for the adoption of the Redevelopment Plan, and each of the other districts receives 32.5 percent of its share of the one percent general property tax revenues that otherwise would have been paid to such district but for the adoption of the Redevelopment Plan.

See the discussion under the caption "TAX AGENCY PAYMENTS" in, and Exhibit 6 of, the Fiscal Consultant's Report attached hereto as Appendix D.

According to the Fiscal Consultant, only one affected taxing agency with jurisdiction within the Town of Apple Valley's portion of the 1993 Project Area – the Mojave Desert Resource Conservation District – is not covered by the negotiated pass-through agreements described in the preceding paragraph. Because various time limits with respect to the 1993 Project Area have been extended (see "Original Redevelopment Plan and Amendments"), the possibility exists that the Conservation District would be entitled to AB 1290 Payments in the year following the year that the duration of the Redevelopment Plan with respect to the 1993 Project Area would have originally expired. However, this is questionable because VVEDA might be exempt from such AB 1290 Payments due to the special legislation applicable to VVEDA. To maintain a conservative estimate of revenues, the Fiscal Consultant has included the potential AB 1290 Payments to the Conservation District in the projections set forth in the table under the caption "PLEDGED TAX REVENUES – Projected Pledged Tax Revenues and Debt Service Coverage" and Exhibit 10E of the Fiscal Consultant's Report attached as Appendix D.

With respect to the Fourth Amendment Added Area and the Eighth Amendment Added Area (each referred to as an "Added Territory"), VVEDA is obligated to make AB 1290 Payments, which are calculated, with respect to each Added Territory, based on a three tier formula set forth in Section 33607.5 of the Redevelopment Law:

1. Throughout the term of the Added Territory's eligibility to receive tax increment, 25 percent of the tax increment with respect to such Added Territory, after deducting the required allocation to the Housing Fund; plus,

2. For the 11th year of the receipt of tax increment with respect to such Added Territory and thereafter, 21 percent of revenues in excess of tenth year revenue (after deducting the required allocation to the Housing Fund), calculated by applying the tax rate against the amount of assessed value by which the current year assessed value exceeds the first adjusted base year assessed value (the first adjusted base year being the tenth fiscal year in which the Agency receives tax increment revenues with respect to such Added Territory); plus,

3. For the 31st year of receipt of tax increment with respect to such Added Territory and thereafter, 14 percent of revenues in excess of 30th year revenues (after deducting the required allocation to the Housing Fund), calculated by applying the tax rate against the amount of assessed value by which the current year assessed value exceeds the second adjusted base year assessed value (the second adjusted

base year being the 30th fiscal year in which the Agency receives tax increment revenues with respect to such Added Territory).

Filing of Statement of Indebtedness

Section 33675 of the Redevelopment 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 Redevelopment 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.

VVEDA PROJECT AREA

Original Redevelopment Plan and Amendments

The VVEDA Project Area was formed, and the Redevelopment Plan was adopted, in accordance with Section 33492 *et. seq*. of the Redevelopment Law, particularly Section 33492.40. The original Redevelopment Plan, establishing the 1993 Project Area, was approved by Ordinance No. 3, adopted by VVEDA on December 28, 1993. The 1993 Project Area encompasses land area that falls within the jurisdictions of the cities of Adelanto, Hesperia and Victorville, the Town of Apple Valley, and unincorporated areas falling under the jurisdiction of the County. The VVEDA Project Area (comprised of the 1993 Project Area, Fourth Amendment Added Area, and Eighth Amendment Added Area) encompasses lands located within the VVEDA Member boundaries that are generally contiguous with the Airport and are not part of an existing redevelopment project area. The properties within the VVEDA Project Area include the Airport and land immediately adjacent to or in proximity of the Airport 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 was amended by Ordinance No. 4, adopted on December 28, 1994, to allow VVEDA to collect Tax Increment Revenues for up to 40 years following the adoption date of the ordinance approving the original Redevelopment Plan.

Due to an economic recession, the 1993 Project Area generated no tax increment revenues during its first few years of existence. VVEDA sought and obtained special legislation to establish a later year as the base year for purposes of calculating tax increment revenues. The Redevelopment Plan was amended again by Ordinance No. 5, adopted on June 11, 1997, to implement such special legislation. This special legislation was later updated and codified in California Revenue and Taxation Code Section 100.7, under which fiscal year 1997-98 was established as the base year for purposes of calculating tax increment revenues with respect to the 1993 Project Area.

A third amendment, the 1998 Amendment to the Redevelopment Plan, approved by Ordinance No. 7, was adopted on June 10, 1998. Such amendment allowed for the power of eminent domain in certain primarily nonresidential areas that were located within the jurisdiction of the Town of Apple Valley and the County unincorporated area.

The fourth amendment, approved by Ordinance No. 8, adopted on July 12, 2000, 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 such amendment (i.e., the Fourth Amendment Added Area) lies in proximity to (within eight miles of) the Airport as required by Section 33492.40(i) of the Redevelopment Law. The fourth amendment also provided for authority to use eminent domain on certain properties.

The fifth amendment, approved by Ordinance No. 9, adopted on December 23, 2003, expanded VVEDA's authority to acquire property through the power of eminent domain within certain portions of the cities of Victorville and Adelanto and a portion of the unincorporated territory of the County.

The sixth and seventh amendments were approved by Ordinance No. 10, adopted on June 23, 2004, and Ordinance No. 11, adopted on June 8, 2005, respectively. As discussed under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes – Housing Set-Aside," these amendments were made pursuant to Section 33492.40(e) of the Redevelopment Law and added provisions in the Redevelopment Plan to allow a VVEDA Member to defer its portion of the Housing Set-Aside for a period up to five fiscal years.

The eighth amendment, approved by Ordinance No. 12, adopted on December 20, 2006, added 24,610 acres (excluding public rights-of-way) in the cities of Adelanto and Victorville, the Town of Apple Valley, and the County. The area added (i.e., the Eighth Amendment Added Area) lies "in proximity to" the Airport as required by Section 33492.40(i) of the Redevelopment Law. The eighth amendment also extended the Redevelopment Plan duration and the time limit to collect Tax Increment Revenues from the Project Area. The 2006-07 equalized tax roll establishes the base year value for the Eighth Amendment Added Area.

The VVEDA Project Area (including the 1993 Project Area, the Fourth Amendment Added Area, and the Eighth Amendment Added Area) now consists of approximately 85,128 acres.

Redevelopment Plan Limitations

Section 33492.40 of the Redevelopment Law contains provisions specifically applicable to the VVEDA Project Area and the Redevelopment Plan, including certain exemptions. VVEDA believes that it has made the necessary findings to exempt it from certain time limits and other requirements set forth in other provisions of the Redevelopment Law. The Redevelopment Plan, as most recently amended in 2006, provides that the effectiveness of the Redevelopment Plan expires on December 20, 2036 and that Tax Increment Revenues may be allocated to VVEDA for 45 years from the adoption date of the ordinance approving the Redevelopment Plan (December 20, 2051, as shown in the Fiscal Consultant's report). Under the Redevelopment Plan, VVEDA (and its Members) may incur debt payable from Tax Increment Revenues until the expiration of the Redevelopment Plan. There is no maximum dollar limit to either the amount of Tax Increment Revenues that may be collected with respect to the Project Area or the amount of bonded debt that may be incurred.

Southern California Logistics Airport

The Airport 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 the Airport and allocated to the Airport 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 the Airport 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 the Airport 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 the Airport 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 the Airport. As the second international cargo gateway in Southern California (in addition to LAX), the Airport 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 Airport 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 Airport 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 Airport site is located on a slight ridge sloping toward the north and northeast, half of the Airport 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 Airport site, south of Air Base Road, and the lowest elevation is 2,650 feet MSL at the northeastern corner of the Airport site. Adjacent to the Mojave River, along the eastern side of the Airport site, there are scattered areas (totaling about 100 acres) of slopes greater than 25 percent.

The Airport 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. The Airport 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 Airport 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 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_{10}). Based upon this information, the area has been designated as a non-attainment area (Severe-17) for ozone and unclassified for PM_{10} by the Federal Environmental Protection Agency (EPA), and as a moderate non-attainment district for ozone by the California Air Resources Board.

Development activity occurring at the Airport include the following:

<u>High Desert Power Project (HDPP)</u>: Located on the Airport facility, the HDPP was completed in April 2003 and constructed to produce 750-megawatts of electricity. That electricity is produced and sold to the California Department of Water Resources. The plant was designed and constructed as a combined-cycle plant with three combustion turbines and three heat-recovery steam generators. Upon its completion, HDPP was recognized by Power Magazine as the 2003 Power Plant of the Year for its innovative partnering, emissions offsetting and water management.

<u>Boeing Recovery and Modifications Services (RAMS)</u>: During the 2003-2004 fiscal year, Boeing RAMS, in cooperation with Victorville Aerospace, took under contract from Japan Air Lines (JAL), a multi-million dollar project wherein the cockpit and avionics packages of a Boeing 747-400 aircraft were completely removed and replaced with new generation equipment. Eventually, all thirty-two of JAL's Boeing 747s will be similarly equipped. All of JAL's 747s, regardless of date of manufacture, will have identical cockpits and avionics.

Airport Runway Extension: In May 2004, the Airport completed construction on the overlay and extension of its primary runway, 17/35. This $13 million project involved a 5,000-foot extension from 10,050 feet to 15,050 feet, making it the second longest commercial runway in the United States. The ultimate runway length of 15,050 is necessary to accommodate fully loaded, fully fueled 747-400 cargo planes in their takeoff.

Pratt & Whitney: In March of 2004, Pratt & Whitney completed construction of a $3,000,000 aircraft storage area. In February 2006, the construction of a 71,000 square foot hangar was completed and will permit the enclosure of two Boeing 767 aircraft and be used to further expand Pratt and Whitney's aftermarket services and host a new incubator opportunity.

Leading Edge: Leading Edge Aviation Services, a premier aviation services company, took occupancy of a 53,658 sq. ft. aircraft painting facility in November 2004. A former World War II aircraft hangar, the facility was outfitted with two state-of-the-art aircraft tail enclosures that travel on rails to enclose two Boeing 757 aircraft. The hangar was further retrofitted to provide two aircraft painting bays large enough to handle B-757 or Airbus A 320 aircraft. Painting of commercial aircraft began in March, 2005. Leading Edge currently has requirements for additional larger hangar facilities to accommodate contracts recently obtained by commercial carriers for larger aircraft, ranging in size from the Boeing 767 and above.

General Electric: In August 2003, General Electric Aircraft Engines (GEAE) completed the construction of its 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.

Stirling Capital-Disposition and Development Agreement ("DDA"): In late 2006, the Authority entered into a DDA with Stirling Capital, a joint venture development company comprising Stirling Airports International and Dividend Capital Trust. The purpose of the DDA was to sell Authority-owned property to Stirling Capital, in exchange for the ultimate build out of approximately 5.9 million square feet. The ultimate build out of the 5.9 million square feet is expected to be built over the course of three phases. In addition to the Newell-Rubbermaid building described below, Stirling Capital has commenced construction on the addition of 250,000 square feet of industrial multi-tenant space. It has also obtained Planning Commission approval for the build out of a 1 million square foot building. Planning Commission approval was obtained on November 14, 2007.

Newell-Rubbermaid: In February of 2007, Stirling Capital started construction on what will become a 400,000 square foot warehouse for Newell-Rubbermaid. The warehouse will be occupied to serve Newell-Rubbermaid's logistics requirements for the Southern California market place. Newell-Rubbermaid intends to expand the facility to 800,000 pursuant to its lease agreement with Stirling Capital. Construction was completed in September, 2007. Construction value is estimated at $20 million.

Hangar Construction: To serve the aviation demand for aircraft hangar space, the Authority has caused the construction of four new aircraft hangars. The four hangars are commonly referred to as Hangars 1, 2, 3 and 4. Hangar 1 is a 71,272 square foot hangar, and is occupied by Pratt & Whitney. Hangar 1 was constructed to completely enclose two Boeing 767 aircraft, and allows Pratt & Whitney to expand its aftermarket services and provide a host of incubator opportunities. Hangar 2, a 90,000 square foot free-span hangar was constructed for Liberty West and Southern California Aviation, where in Hangar 2, various maintenance and overhaul services are performed on aircraft. Hangars 3 and 4 have most recently been constructed to be utilized by Leading Edge, an aircraft painting company. Combined, Hangars 3 and 4 will total approximately 200,000 square feet of operating space and will permit Leading Edge to paint aircraft as large as the wide body Boeing 747. Current clients of Leading Edge include United Airlines and Jet Blue.

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.

The City is located approximately 90-miles northeast of Los Angeles, California., at the northern boundary of the Inland Empire region and more particularly in southwestern San Bernardino County. Its neighboring communities are the City of Adelanto to the west, the Town of Apple Valley to the east and the City of Hesperia to the south.

The City has emerged as one of the high growth areas of Southern California. The City has seen tremendous growth in the residential, commercial and industrial markets. As of January 2007, the City's population was estimated at 102,538.

Residential Population

1993	57,217
1994	60,577
1995	60,009
1996	60,888
1997	61,650
1998	62,825
1999	64,455
2000	67,600
2001	69,339
2002	72,485
2003	77,679
2004	83,184
2005	90,671
2006	95,145
2007	102,538

The City's population increase has been principally attributed to the affordable nature of its housing supply. Combined with its affordability, the City's proximity to larger metropolitan areas allows for its residents to commute to their primary areas of employment. Single family residential permits are being issued for new construction at record setting rates. The following table provides historical residential building permit issuance and valuation within the City.

Total SFR Construction Activity

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	2,102	358,131,375
2004	2,699	478,940,771
2005	2,263	405,191,347
2006	3,039	585,344,117
2007(1)	455	85,694,149
TOTAL	15,127	$2,492,265,029

(1) January through August, 2007
Source: City of Victorville

To support the expanded demand for residential development four new specific planning areas have been approved. Those specific planning areas include The Crossings, Mojave Vista, Rancho Tierra and West Creek.

The Crossings – Located outside the VVEDA Project Area but in the City, the Crossings Specific Plan incorporates approximately 444-acres of land for single-family and multi-family uses. The land use designations more specifically will allow for the construction of 2,656 units and are designed around school and park facilities. The Crossings is more specifically located west of Highway 395 and south of Palmdale Road.

Mojave Vista – Located in the VVEDA Project Area, the Mojave Vista Specific Plan incorporates approximately 228-acres of land for single-family and multi-family uses. The land use designations more specifically will allow for the construction of 1,058 units and are designed around a school, park and conservation facility. Mojave Vista is proposed south of Rancho Road and west of National Trails Highway.

Rancho Tierra – Located in the VVEDA Project Area, the Rancho Tierra Specific Plan incorporates approximately 308-acres of land for single-family, commercial, business park and light industrial uses. The land use designations will more specifically allow for the construction of 1,347 units and are designed around a park and open space area. Rancho Tierra is more specifically located south of Rancho Road between El Evado and Amethyst Road.

West Creek – Located outside the VVEDA Project Area but in the City, the West Creek Plan incorporates approximately 406-acres of land for single-family uses. The land use designations will more specifically allow for the construction of 1,598-units and are designed around a school and open space area. West Creek is more specifically located north of Hook Boulevard, west of Amethyst Road.

Accordingly, the increase in residential population and residential development is creating an additional demand for commercial and industrial services. Such commercial and industrial developments include the following:

Dunia Plaza – Located off the Airport but in the VVEDA Project Area, Dunia Plaza is a master planned retail center recently anchored by a Kohl's Department Store and Lowe's Home Improvement Warehouse. Dunia Plaza is also the retail center to new restaurants including Chili's Bar and Grill, Roadhouse Grill, Applebee's, Mimi's Café, Johnny Carino's, Fazolli's, Starbucks and Baja Fresh. Recently completed is a new Hawthorne Suites Hotel, On the Border Mexican Restaurant and scheduled for construction in early 2008 is the City's first Wal-Mart Super Store and Sam's Club.

Auto Park at Valley Center – Located outside the VVEDA Project Area but in the City, a new auto park is being developed upon 43-acres located adjacent to Interstate 15 at Roy Rogers Drive. The Auto Park has created an environment that has permitted many existing auto retailers to expand and relocate their facilities. Relocated retailers include Victorville Motors, Hi Desert Kia, Valley Hi Toyota-Honda and Greiner Pontiac-Buick-GMC. New auto retailers include, Victorville Scion and Victorville Mitsubishi. Victorville Nissan, Valley Hi Honda, Victorville Mazda and Victorville Saturn are scheduled to break ground in 2008.

Cinemark at the Mall of Victor Valley – Located outside the VVEDA Project Area but in the City, Cinemark USA has recently completed the construction of a new 16-screen, stadium style movie theatre, replacing the 10-screens it previously operated at the Mall of Victor Valley. With the new movie theater, the Mall of Victor Valley decided to undertake a remodel of its facility which was valued at $9 million. The Mall of Victor Valley completed its remodel on November 15, 2007.

World Premier Investments – Located outside the VVEDA Project Area but in the City, WPI has teamed with the owners of property located along Roy Rogers Road and Civic Drive, to develop a new retail center anchored by Home Depot. The retail center broke ground in August 2005 and consists of approximately 146,000 square feet of building space for Home Depot and approximately, 70,000 square feet of retail space located on eight separate pads for smaller retail users. Home Depot was completed in the summer of 2006. World Premier is currently processing the build out of three additional phases which will total approximately 500,000 square feet. Anchor tenants for the additional building space include a Target Super Store and Winco Foods.

Foxborough Industrial Park – Located outside the VVEDA Project Area but in the City, the Foxborough Industrial Park continues to develop and serve larger industrial users. Two projects totaling approximately 600,000 square feet in building space and valued at an estimated $65 million have recently been completed. Among those, Nutro Products, a manufacturer of premium pet food, has constructed a 350,000 square foot manufacturing and logistics facility to serve its western U.S. markets. Opus West has constructed a 250,000 square foot logistics facility to be occupied by ConAgra Foods. The Goodyear Tire and Rubber Company, M&M/Mars and AFG Industries are also among the larger corporate tenants at the Foxborough Industrial Park. Space Center Mira Loma, an industrial developer, obtained Planning Commission approval for the build out of an additional 1 million square feet of building space on November 13, 2007. Completion is expected to take two years.

The following reflects trend data that might be helpful to understand sales tax generation and commercial/industrial construction value.

Gross Taxable Sales[1]	
1993	$680,976,000
1994	718,137,000
1995	740,897,000
1996	773,529,000
1997	786,892,000
1998	840,373,000
1999	920,607,000
2000	1,045,818,000
2001	1,137,312,000
2002	1,356,375,000
2003	1,415,309,000
2004	1,723,407,000
2005	2,001,454,000
2006[2]	1,550,411,000

Commercial/Industrial Construction[3]		
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	22	15,657,070
2004	30	92,284,910
2005	9	12,388,045
2006	13	14,714,420
2007[4]	26	7,225,090
TOTAL	297	$298,427,447

(1) Source: California State Board of Education
(2) Through the Third Quarter of 2006
(3) Source: City of Victorville
(4) January through August, 2007

Rail Project Development

In order to enhance economic development activities at the Airport 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 logistics facilities for The Goodyear Tire and Rubber Company, ConAgra Foods, M&M/Mars along with a manufacturing and distribution facility for Nutro Pet Products.

As a result, the City of Victorville has adopted a Specific Plan Amendment which incorporates significant portions of the Airport and approximately 2,000 adjacent acres. The Specific Plan has been completed to accommodate the ultimate build out of a inter-modal rail facility for the Burlington Northern Santa Fe Railroad. Build-out of the Airport Specific Plan and rail service project is expected to generate approximately 1,500 rail facility jobs and 18,000 jobs related to ancillary industrial users. The planned phasing is as follows:

- Phase 1 (In Progress): Commence replacement of existing public rail right-of-way and construct lead track from BNSF Main Line to SCLA. The entitlement process has been completed. Land acquisition for right of way purposes is ongoing and nearing 95% complete. Civil engineering for alignment is complete. In January of 2007, the City of Victorville entered into a Memorandum of Understanding with BNSF for the purposes of commencing formal negotiations. The City of Victorville has awarded a contract for the first phase of construction which started in March of 2007. The first component of construction involves an under crossing to the existing National Trails Highway.

- Phase 2 (2009 Estimated Start): Installation of lead rail track from the BNSF mainline to a 300-acre inter-modal site for BNSF. BNSF will construct upon the 300-acre inter-modal site, all necessary ramp, rail and crane equipment to ultimately function as an inter-modal operation capable of moving 1.5 million container lifts a year.

Environmental review for this project commenced on January 6, 2003 and the Environmental Impact Report was certified in 2004. The Environmental Impact Report has enabled commencement of construction activities on Phase 1 of the project.

PROPERTY TAXATION IN CALIFORNIA

Constitutional Amendments Affecting Tax Revenues

Article XIIIA 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIB 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 XIIIB 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 Redevelopment 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 XIIIB, 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 Redevelopment 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 XIIIA (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 XIIIA 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 XIIIA. Proposition 58 amends Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, 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 XIIIA 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 XIIIA 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 XIIIA (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 XIIIA 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 XIIIA 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 XIIIA 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 are 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Ground Lease," herein.

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 XIIIA, Article XIIIB, 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.

Ground Lease 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 XIIIA of the California Constitution, which was adopted pursuant to the initiative process. For a further description of Article XIIIA, 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 XIIIA 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 the Airport. The general economy of the Airport 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.

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 "PLEDGED TAX REVENUES." **The projections herein of Pledged Tax Revenues do not take into account any delinquencies.**

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 XIIIA, 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 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 Redevelopment 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 Redevelopment 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 Redevelopment 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 "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. VVEDA did not realize an ERAF obligation for Fiscal Years 1993-94 and 1994-95 because the Redevelopment Plan was not in a position at that time to generate tax increment revenues. Accordingly, there was not an ERAF contribution made.

As a result of the enactment of AB 1768 (Statutes of 2002, Chapter 1127), the VVEDA made an ERAF contribution of $19,357 to the State for Fiscal Year 2002-03, of which, approximately $13,350 would have otherwise been passed through by VVEDA to the Authority.

The State budget for 2003-04 included a $135 million shift of redevelopment agency tax increment revenues to ERAF. VVEDA's share was equal to approximately $62,112, of which, approximately $50,757 would have otherwise been passed through by VVEDA to the Authority.

The State budget for 2004-05 included a shift of property tax revenues from local governments to ERAF totaling approximately $1.3 billion over a period of two years, of which $250 million would come from redevelopment agencies in each of fiscal years 2004-05 and 2005-06. VVEDA's share is equal to approximately $646,940 in fiscal year 2005-06, the Authority's corresponding share is projected to be $93,647 and Victorville's portion is projected at $374,846 based on total assessed value.

Pursuant to the Governor's 2006-07 Budget, local governments are no longer required to shift property taxes to the ERAF pursuant to the provisions of Proposition 1A. (See below.)

Proposition 1A. Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate currently in effect, which is 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

The Authority cannot predict whether future State budget legislation will further divert moneys from redevelopment agencies, and the effect such diversion would have on the receipt of Tax Increment Revenues and, accordingly, the payment of debt service on the Bonds.

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 Redevelopment 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:

Board Member	Term Expires	Occupation
Mike Rothschild	November 2008	Retired School Teacher
Rudy Cabriales	November 2008	Retired Fire Chief
JoAnn Almond	November 2010	Business Owner
Terry E. Caldwell	November 2010	Attorney
Bob Hunter	November 2008	Public Administrator - County

Powers

The Authority is charged with the responsibility of eliminating blight within the Airport 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 Redevelopment 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 Redevelopment 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 Redevelopment Law. Section 33020 of the Redevelopment 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 Airport and no other reasonable means of financing is available. The Authority must sell or lease remaining property within the Airport 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, 2006. The Authority has not requested the consent of the Auditor regarding the inclusion of its report in this Official Statement.

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 for the Bonds is $40,498,291.60 (which takes into account an Underwriter's discount of $735,000.00 and an original issue discount of $766,708.40).

The Underwriter intends 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 Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter 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 reallow 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 opinions 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 the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority has covenanted to maintain the exclusion 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 receipt or accrual of interest on the Bonds owned by a corporation may affect the computation of its 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)).

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." 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. 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.

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 reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or 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 Bond Counsel.

Although Bond Counsel is of the opinion that interest on the Bonds is exempt from state personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, 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 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)(i) 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.

RATINGS

Standard & Poor's Ratings Group ("S&P") and Moody's Investors Services ("Moody's) have assigned their municipal bond ratings of "BBB-" and "Baa3," respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

All of the preceding summaries of the Indenture, the Redevelopment 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 govern 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 and 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, per values provided by the County Tax Assessor, 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.

Airport

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

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.

Authorized Investments

The term “Authorized Investments” means:

(1) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(2) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (A) direct obligations or fully guaranteed certificates of beneficial interests of the Export-Import Bank of the United States, (B) debentures of the Federal Housing Administration, (C) guaranteed mortgage backed bonds of the Government National Mortgage Association, (D) certificates of beneficial interest of the Farmers Home Administration, (E) obligations of the Federal Financing Bank or (F) project notes and local authority bonds of the Department of Housing and Urban Development.

(3) Investments in (A) senior obligations of the Federal Home Loan Bank System, (B) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (C) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of unpaid principal) of the Federal National Mortgage Association or (D) senior debt obligations of the Student Loan Marketing Association.

(4) Repurchase agreements with primary dealers and/or banks rated, at all times, AA and AA2 or better by Standard & Poor’s Corporation and Moody’s Investors Service, Inc., respectively, collateralized with the obligations described in (i) or (ii) above, held by a third party custodian, at the levels set forth below.

(5) Money market mutual funds registered under the Investment Company Act of 1940 and conforming to Rule 2a-7 thereof that invest primarily in direct obligations issued by the U.S. Treasury and repurchase agreements backed by those obligations, including funds for which the Trustee or an affiliate of the Trustee acts as an advisor, and rated in the highest category by Standard & Poor’s Corporation and Moody’s Investors Service, Inc.

(6) Certificates of deposit of any bank (including the Trustee and its affiliates that are also banks), trust company or savings and loan association whose short term obligations are rated, at all times, A-1 or better by Standard & Poor’s Corporation and P-1 by Moody’s Investors Service, Inc. provided that such certificates of deposit are fully secured by the obligations described in (1) or (2) above, at the levels set forth below, the Trustee has a perfected first security interest in the obligations securing the certificates and the Trustee holds (or shall have the option to appoint a bank, trust company or savings and loan association as its agent to hold) the obligations securing the certificates.

(7) Certificates of deposit of any bank (including the Trustee and its affiliates that are also banks), trust company or savings and loan association which certificates are fully insured by the Federal Deposit Insurance Corporation.

(8) Commercial paper rated, at all times, P-1 or better by Moody’s Investors Service, Inc. and A-1+ by Standard & Poor’s Corporation.

(9) Obligations of, or obligations fully guaranteed by, any state of the United States of America or any political subdivision thereof which obligations, at all times, are rated by Standard & Poor's Corporation and Moody's Investors Service, Inc. in the highest rating categories (without regard to any refinement or graduation of rating category by numerical modifier or otherwise) and without regard to credit enhancement assigned by such rating agencies to obligations of that nature.

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

Collateral Levels for United States Government Securities

	Remaining Maturity				
	1 Year or less	5 Years or less	10 Years or less	15 Years or less	30 Years or less
Frequency of Valuation					
Daily	102	105	106	107	113
Weekly	103	110	111	113	118
Monthly	106	116	119	123	130
Quarterly	106	118	128	130	135

Further Requirements: (A) On each valuation date the market value of the collateral will be an amount equal to the requisite collateral percentage of the obligation (including unpaid accrued interest) that is being secured. (B) In the event the collateral level is below its collateral percentage on a valuation date, such percentage shall be restored within the following restoration periods. One business day for daily valuations, two business days for weekly valuations, and one month for monthly and quarterly valuations. The use of different restoration periods affect the requisite collateral percentage. (C) The Trustee must terminate the repurchase agreement upon a failure to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repo securities, liquidate the collateral.

Bonds

The term "Bonds" means the Southern California Logistics Airport Authority Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2007.

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, 2008, 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 December 12, 2007.

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, initially being at the address set forth in the Indenture, 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 certain airport improvements, municipal utilities, inter-modal rail development and public improvements, including certain street improvements and building demolition.

Federal Securities

The term “Federal Securities” 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 (provided the Trustee may rely upon the investment direction of the Authority as a determination of the legality of such investments):

1. Cash

2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series- (SLGs)).

3. Resolution Funding Corp. (“REFCOR”). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

4. Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P. If, however, the issue is only rated by S&P (*i.e.*, there is no Moody’s rating) then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

5. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.

a. *U.S. Export-Import Bank* (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

b *Farmers Home Administration* (FmHA)

c. *Federal Financing Bank*

d. *General Services Administration*
Participation Certificates

e. *U.S. Maritime Administration*
Guaranteed Title XI financing

f. *U.S. Department of Housing and Urban Development* (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

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 Redevelopment Law and identified in writing to the Trustee.

Ground Lease Guaranty

The term "Ground Lease 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.

HDPP

The term "HDPP" means High Desert Power Project, LLC, a California limited liability company which is an indirect wholly owned subsidiary of Tenaska Power Fund, L.P., a Delaware limited partnership and TPF Genco Coinvestment Fund, L.P., a Delaware limited partnership, that has assumed all interest of HDPT in the Lease pursuant to the First Amendment, including the obligation to pay additional rent thereunder.

HDPT

The term "HDPT" means High Desert Power Trust, a Delaware business trust, that has leased a portion of the land at the Airport 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 Special Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Municipal News Reports; and Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; 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, 2008, on which interest on any Bonds are scheduled to be paid.

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.

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.

Maximum Annual Debt Service

The term "Maximum Annual Debt Service" in respect of any Bond Year means the largest of the sums obtained for that or any succeeding Bond Year after totaling the following for each such Bond Year:

1. The principal amount of all Outstanding Bonds and Additional Obligations maturing or required to be redeemed by mandatory sinking account redemption in such Bond Year; and

2. The interest that would be due during such Bond Year on the aggregate principal amount of Bonds and Additional Obligations which would be Outstanding in such Bond Year if the bonds and Additional Obligations Outstanding on the date of such computation were to mature or be redeemed in accordance with the applicable maturity or mandatory sinking account redemption schedule. At the time and for the purpose of making such computation, the amount of Bonds and Additional Obligations already retired in advance of the above mentioned schedule or schedules shall be deducted pro rata from the remaining amounts thereon.

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.

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, on a subordinate basis to the Senior Bonds and on a parity with the Additional Obligations, (A) all tax increment revenues generated on the parcels comprising the Airport 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 Redevelopment Law, (ii) amounts, if any, payable to a taxing entity and (iii) 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 the Airport, 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 Redevelopment Law, (ii) amounts, if any, payable to a taxing entity and (iii) amounts, if any, received by the VVEDA Members pursuant to Section 16111 of the Government Code, (C) the Ground Lease Guaranty, and (D) the Victorville Pledge.

Principal or Principal Amount

The terms "Principal" or "Principal Amount" mean, as of any date of calculation, with respect to any Bond, the principal amount thereof.

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 Redevelopment Law for the redevelopment of the Airport.

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 Law

The term "Redevelopment 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.

Redevelopment Plan

The term "Redevelopment Plan" means the Amended Redevelopment Plan for the Victor Valley Redevelopment Project Area adopted on December 20, 2006 by Ordinance No. 12 and from time to time amended and/or restated.

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 the Bonds, (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.

SCLAA JPA

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

Securities Depositories

The term "Securities Depositories" means: The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call 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.

Senior Bonds

The term "Senior Bonds" means the Authority's $42,185,000 Tax Allocation Parity Bonds (Southern California Logistics Airport Project) Series 2005A, the Authority's $45,020,000 Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Taxable Series 2006, the Authority's $62,780,000 Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Refunding Series 2006, the Authority's $34,980,000 Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Taxable Forward Series 2006 and the Authority's $64,165,000 Taxable Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2006.

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.

Special Fund

The term "Special Fund" means that fund established under the Indenture for the collection and deposit of Pledged Tax Revenues received in any Bond Year.

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 thereunder.

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 herein provided, 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 Pledge

The term "Victorville Pledge" means the pledge by the City to the Authority of the remaining balance of tax increment revenues attributable to the City's territory within the VVEDA Project Area exclusive of the Airport 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 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, Vice-Chairman, 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.

Conditions for the Issuance of Additional Obligations

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 if the specific conditions in the Indenture are followed, which are conditions precedent to the issuance of any such Additional Obligations.

Limit on Parity Senior Bonds or Other Senior Obligations. Other than for the purpose of refunding any Senior Bonds currently outstanding (which refunding bonds shall have a maturity date no later than the Senior Bonds being refunded), the Authority may not issue any additional bonds, notes, interim certificates, debentures or other obligations or evidences of indebtedness on parity with the Senior Bonds. Furthermore, the Authority may not issue any bonds, notes, certificates, debentures or other obligations or evidences of indebtedness payable from Tax Increment Revenues allocable to the Authority pursuant to the Redevelopment Plan, the VVEDA JPA or the SCLAA JPA on a basis senior to the Bonds.

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 a special fund to be known as the “Southern California Logistics Airport Authority Subordinate Tax Allocation Revenue Bonds Series 2007 Special Fund” which shall be held by the Trustee. The Authority shall cause the transfer of all (and if any Additional Obligations are outstanding, such proportional share of) 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 respective Special Fund pursuant to the Redevelopment 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 Special 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 below):

(2) Interest Account;

(3) Reserve Account; and

(4) Principal Account.

Interest Account. Not less than five (5) days prior to each Interest Payment Date, the Trustee shall set aside from the Special Fund and deposit in the respective 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 respective 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 thereunder, 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 to the Authority to be used for any lawful purposes.

Principal Account. In the Bond Year ending December 1, 2008 and each Bond Year thereafter while the Bonds are Outstanding, the Trustee shall set aside from the Special Fund and not less than five (5) days prior to the applicable Interest Payment Date 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 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 paragraph (5) 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 those as described in subparagraph (1), (2) and (5) of the definition of Authorized Investments and shall mature no more than five (5) 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. 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 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 fund 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 thereunder.

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 fair 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 thereunder, 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 hereunder 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 Redevelopment 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 Redevelopment 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 respective 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 Redevelopment 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.

The Authority represents and warrants that it has not made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Pledged Tax Revenues that ranks on a parity with or prior to the pledge granted under the Indenture, except to secure the Senior Bonds.

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 the Pledged Tax Revenues or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Pledged Tax Revenues) 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 Redevelopment 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.

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, association, 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, association, 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, association, 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 thereunder 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 thereunder, 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 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 herein 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 the Indenture;

(d) To modify, amend or supplement the Indenture in such manner as to permit the qualification hereof 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); or

(f) 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 the Indenture 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 the Indenture.

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 other 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 30 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 30-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 thereunder, shall be transmitted to the Trustee and shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of the Indenture, 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 Redevelopment 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 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 Redevelopment Law or by the Indenture 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 thereunder may be brought by the Trustee for the equal benefit and protection of all Owners, and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued thereunder, 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 under the Indenture 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 Redevelopment 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 thereunder, 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 Redevelopment 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 thereunder 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 Redevelopment Law or other applicable law with respect to the Bonds, except in the manner provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided 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 thereunder, 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, (2) an opinion of bond counsel shall have been rendered to the effect that all of the requirements of the Indenture for defeasance of the Bonds have been complied with, and (3) 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. No forward delivery agreements, hedge, investment agreement, purchase and resale agreements or par-put agreements may be used with respect to the investment of any funds or securities defeasing the 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 respective 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.

(this page intentionally left blank)

APPENDIX B

FORM OF PROPOSED OPINION OF BOND COUNSEL

[Date of Closing]

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

Southern California Logistics Airport Authority
Subordinate Tax Allocation Revenue Bonds
(Southern California Logistics Airport Project)
Series 2007

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 $42,000,000 amount of its Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2007 (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 December 1, 2007 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), for the purpose of (i) financing certain redevelopment activities benefiting the Southern California Logistics Airport, (ii) funding a Reserve Account for the Bonds, and (iii) 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, 2008.

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:

1. 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.

2. 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.

3. 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.

4. 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, 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,

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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC 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 and www.dtc.org.

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 DTCs 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, bond 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, certificates will be printed and delivered.

APPENDIX D

REPORT OF FISCAL CONSULTANT

(this page intentionally left blank)

TABLE OF CONTENTS

INTRODUCTION

This Fiscal Consultant Report ("Report") has been prepared at the request of the Southern California Logistics Airport Authority ("SCLA"). It is our understanding that SCLA 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 SCLA's proposed Tax Allocation Bonds ("Bonds").

SCLA 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:

Exhibit 1:	Redevelopment Plan Limits
Exhibit 2:	Base Year Valuation
Exhibit 3A-B:	Historic Assessed Valuation and Tax Increment Receipts
Exhibit 4A-H:	Increases in Assessed Value due to Resales
Exhibit 5:	New Development
Exhibit 6:	Summary of Agreement Terms
Exhibit 7A-H:	Top Ten Taxpayers
Exhibit 8A-H:	Assessed Valuation by Land Use
Exhibit 9:	Assessment Appeals
Exhibit 10A-I:	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 XIIIA 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

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 June 10, 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.

Amendment No. 5 became effective on December 23, 2003, by Ordinance No. 9. Amendment No. 5 expanded the authority for VVEDA to acquire property through the power of eminent domain within certain portions of the unincorporated San Bernardino territory, the City of Adelanto and the City of Victorville.

Amendment No. 6 became effective on June 23, 2004, by Ordinance No. 10. Amendment No. 6 made certain changes to the text of the Plan which allowed for deferral of VVEDA’s deposit of housing set-aside funds pursuant to section 33492.40(e)(2) of the CRL for a specific period not to exceed five (5) years in order to use such funds to facilitate the expeditious funding of much needed infrastructure projects and other general redevelopment activities.

Amendment No. 7 became effective on June 8, 2005, by Ordinance No. 11. Amendment No. 7 amended section 539 of the Plan to address the manner in which Amendment No. 6 may be most effectively implemented.

Amendment No. 8 was adopted on December 20, 2006, by Ordinance No. 12. Amendment No. 8 added 24,610 acres to the Project Area in the Cities of Adelanto and Victorville, the Town of Apple Valley, and the County of San Bernardino. (This report does not assume any tax increment revenue from the Amendment No. 8 added area.)

Redevelopment Plan Limitations

Amendment No. 4 also established new plan limits pursuant to Redevelopment Law. The limits were amended as part of Amendment No. 8, changing the effective date and time limit to collect tax increment. The time limitations presented by Exhibit 1 relate to VVEDA's ability to incur debt, undertake Plan activities, and collect tax increment revenues.

Redevelopment Plan Limits	Exhibit 1
Southern California Logistics Airport Authority	
Time Limits	
Incur Indebtedness	none
Redevelopment Plan Effectiveness	12/20/2036
Receive Tax Increment	12/20/2051
Financial Limits	
Bond Indebtedness	none
Tax Increment	none

Source: Redevelopment Plan

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 for the VVEDA Project Area.

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. The base year value changed for 2007-08 due to the passage of AB 2670, which requires the railroad values be excluded from the frozen base. Exhibit 2 presents a summary of the Base Year Value provided by the County Auditor-Controller (as of 10/07) broken out by each Member Jurisdiction's share.

Base Year Assessed Value	Exhibit 2
Southern California Logistics Airport Authority	
Member Jurisdiction	
Victorville	$1,165,325,600
SCLA	7,854,300
SUBTOTAL	1,173,179,900
Apple Valley	436,031,300
San Bernardino County	50,947,900
Hesperia	122,113,900
1993 PROJECT AREA BASE YEAR	1,782,273,000
Victorville Added Area	1,372,000
County Added Area	9,132,400
Adelanto Area	14,452,400
AMENDMENT IV BASE YEAR	24,956,800
TOTAL PROJECT AREA BASE YEAR	$1,807,229,800

Source: San Bernardino County Auditor-Controller

Tax increment revenue is generated from application of the tax rate upon the increases in the total assessed value above the base year assessed value. The current year total assessed value for the VVEDA Project Area is $6,257,504,948 and the base year assessed value is $1,807,230,185. However, the County report that divides Project Area assessed value by Member Jurisdiction is based on revenue rather than value so the sum of the Member Jurisdictions' base year values is $1,807,229,800.

Exhibit 3A summarizes year-to-year changes in the Project Area's assessed values for the past five years based upon the County Auditor-Controller's annual assessed value reports. During this period, VVEDA Project Area assessed values have increased by a cumulative 134.84%. The 2007-08 total assessed value is 33.79% higher than the 2006-07 total assessed values for the Project Area. (Exhibit 3 does not include the Amendment No. 8 added area.)

Tax Increment Collection History

Exhibit 3A also presents a summary of tax increment revenue collections for fiscal years 2003-04 through 2006-07.

Historic Assessed Value and Tax Increment Revenue Receipts — **Exhibit 3A**

Southern California Logistics Airport Authority - VVEDA Project Area

	2003-04			% Growth	2004-05			% Growth	2005-06			% Growth
	Original Area	**4th Amend Area**	**Combined**	Orig Area	**Original Area**	**4th Amend Area**	**Combined**	Orig Area	**Original Area**	**4th Amend Area**	**Combined**	Orig Area
Assessed Valuations												
Local Secured	2,065,794,914	22,622,881	2,088,417,795		2,476,054,100	23,588,100	2,499,642,200		3,026,886,173	32,133,163	3,059,019,336	
Secured Utility	475,685,108	-	475,685,108		488,900,000	-	488,900,000		484,561,216	-	484,561,216	
Unsecured	100,439,171	34,178	100,473,349		105,982,100	31,400	106,013,500		115,385,970	29,084	115,415,054	
	2,641,919,193	22,657,059	2,664,576,252	16%	3,070,936,200	23,619,500	3,094,555,700	18%	3,626,833,359	32,162,247	3,658,995,606	27%
1997-98 Base Year	(1,783,847,892)	(24,956,814)	(1,808,804,706)		(1,783,847,892)	(24,956,814)	(1,808,804,706)		(1,783,847,892)	(24,956,814)	(1,808,804,706)	
(Per Original & Annual A/C Reports)												
Incremental Value	858,071,301	(2,299,755)	855,771,546		1,287,088,308	(1,337,314)	1,285,750,994		1,842,985,467	7,205,433	1,850,190,900	
Est Increment @1% [1]	8,580,713	-	8,580,713		12,870,883	-	12,870,883		18,429,855	72,054	18,501,909	
Actual Allocation Per County A/C[2]	8,325,051	-	8,325,051		12,856,500	-	12,856,500		18,996,347	104,020	19,100,367	
Actual Revenue Received	8,302,611	-	8,302,611		15,021,532	-	15,021,532		23,436,529	225,379	23,661,908	
Distribution of Revenue Received												
Member Jurisdictions		% of Total				% of Total				% of Total		
Low Mod Housing Fund	1,660,522	20%			3,004,307	20%			4,732,382	25%		
SCLA	**3,243,690**	39%			**5,230,048**	35%			**6,335,165**	33%		
Victorville	**505,568**	6%			**1,273,578**	8%			**2,212,817**	12%		
Apple Valley	195,344	2%			426,144	3%			696,570	4%		
Hesperia	74,884	1%			127,483	1%			180,245	1%		
County	43,715	1%			59,742	0%			61,090	0%		
Adelanto	-	0%			-	0%			26,653	0%		
Prior Contribution Fund	412,412	5%			949,310	6%			949,310	5%		
	6,136,135				11,070,612				15,194,232			
Pass Throughs to Affected Districts	2,166,476	26%			3,950,921	26%			3,950,921	21%		
	8,302,611	100%			15,021,532	100%			19,145,153	100%		

	2006-07			% Growth	2007-08		
	Original Area	**4th Amend Area**	**Combined**	Orig Area	**Original Area**	**4th Amend Area**	**Combined**
Assessed Valuations							
Local Secured	3,997,297,430	56,424,580	4,053,722,010		5,308,973,356	96,405,964	5,405,379,320
Secured Utility	472,724,547	-	472,724,547		481,104,400	-	481,104,400
Unsecured	134,845,981	41,357	134,887,338		370,983,938	37,290	371,021,228
	4,604,867,958	56,465,937	4,661,333,895	34%	6,161,061,694	96,443,254	6,257,504,948
1997-98 Base Year	(1,783,847,892)	(24,956,814)	(1,808,804,706)		(1,782,273,371)	(24,956,814)	(1,807,230,185)
(Per Original & Annual A/C Reports)							
Incremental Value	2,821,020,066	31,509,123	2,852,529,189		4,378,788,323	71,486,440	4,450,274,763
Est Increment @1% [1]	28,210,201	315,091	28,525,292		43,787,883	714,864	44,502,748
Actual Allocation Per County A/C[2]	28,228,332	410,848	28,639,180				
Actual Revenue Received	33,949,900	651,123	34,601,023				
Distribution of Revenue Received							
Member Jurisdictions		% of Total					
Low Mod Housing Fund	6,920,205	20%					
SCLA	**10,943,997**	32%					
Victorville	**5,406,637**	16%				**Not Available**	
Apple Valley	1,454,184	4%					
Hesperia	378,592	1%					
County	136,882	0%					
Adelanto	146,656	0%					
Prior Contribution Fund	-	0%					
	25,387,152						
Pass Throughs to Affected Districts	9,213,871	27%					
	34,601,023	100%					

[1] "Est Increment @ 1%" is based on incremental value for the entire Project Area presented on the San Bernardino County Auditor-Controller annual report "PI163 Agency Net Valuations Report.

[2] Each year, San Bernardino County issues report "PI715R01 Redevelopment Agency Percentages for Tax Charge Year" showing the tax increment for each Tax Rate Area. The "Actual Allocation Per County A/C" shows the VVEDA Project Area tax increment based on this report. The actual revenue received by the VVEDA Agencies is based on this report rather than report PI163. The County indicates that the difference in these two reports is related to corrections made to the tax roll during the fiscal year.

Exhibit 3B presents the historic assessed value for the Victorville and SCLA portions of the Project Area.

Historic Assessed Value - Victorville and SCLA Only					Exhibit 3B
Southern California Logistics Airport Authority - VVEDA Project Area					
	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**
Victorville					
Total	1,399,618,600	1,688,509,500	2,101,436,000	2,858,551,477	3,834,890,000
Base Year	1,166,037,800	1,166,037,800	1,166,037,800	1,166,037,800	1,165,325,600
Increment	233,580,800	522,471,700	935,398,200	1,692,513,677	2,669,564,400
SCLA					
Total	454,585,600	531,774,400	524,995,300	520,210,897	761,252,300
Base Year	7,854,300	7,854,300	7,854,300	7,854,300	7,854,300
Increment	446,731,300	523,920,100	517,141,000	512,356,597	753,398,000

Source: San Bernardino County Auditor-Controller

Growth Assumptions

The assessed valuation forecast provided in the tax increment projections shown in Exhibit 10 incorporate a 2% annual increase in the Project Area's assessed value.

The growth assumptions were established by RSG to account for the following factors that affect future tax increment collections.

Article XIIIA (Proposition 13) Inflationary Adjustments

As enacted by Proposition 13 in 1978, Article XIIIA of the State Constitution limits annual inflationary adjustments to property assessed values to a maximum of 2% annually. Each year, the State Board of Equalization establishes this annual increase based on the statewide consumer price index for the previous year (October to October). Since its passage in 1978, there have been five occurrences when the inflationary adjustment was less than 2%. This occurred in fiscal years 1983-84, 1995-96, 1996-97, 1999-00, and 2004-05; the inflationary adjustments for these fiscal years was 1.01%, 1.0119%, 1.0111%, 1.01853% and 1.01867%, respectively.

Because the Proposition 13 factor tends to remain at the 2% level historically, RSG's revenue forecast assumes that this inflationary adjustment will be 2% annually in the future.

Tax Rates

Though the actual tax rates in the Project Area are higher, VVEDA only receives tax increment revenue based on the 1% general tax levy rate. Therefore, RSG has not analyzed the Project Area tax rates and the tax increment projections in Exhibit 10 include only the 1% levy.

County Administrative Charges

The County charges an administrative fee for disbursing property tax increment revenues to redevelopment agencies. This fee is based on actual cost, prorated among redevelopment project areas based on their respective assessed values. In fiscal year 2006-07, the County charged VVEDA $602,830 in administrative charges for the Project Area, which was approximately 1.74% of the total tax increment received by VVEDA in 2006-07.

Changes in Value Caused by Ownership Changes

To analyze the impact of resales on assessed values in the Project Area, RSG compiled statistics of 2007 sales through September. A monthly and year-to-date summary of these sales is presented in Exhibit 4A-H (not including multi-parcel transfers or transfers with no sale price). Exhibit 4 indicates the total number of property sales, and the amount that the value transferred exceeded the properties' assessed values. The cumulative presale value is based on the 2007-08 roll. These sales (along with sales through December 31, 2006) will be reassessed at their transfer value on the 2008-09 assessment roll.

Increase in Assessed Value Due to Sales — **Exhibit 4A**

Southern California Logistics Airport Authority - VVEDA Project Area

Month	Sales	Presale Value	Sale Price	Increase/ (Decrease)	Percent
Jan-07	128	31,782,331	45,399,295	$13,616,964	42.84%
Feb-07	143	30,753,317	42,984,437	12,231,120	39.77%
Mar-07	124	22,903,248	36,896,599	13,993,351	61.10%
Apr-07	106	19,701,161	32,687,523	12,986,362	65.92%
May-07	110	22,572,842	34,850,513	12,277,671	54.39%
Jun-07	124	25,613,717	42,924,934	17,311,217	67.59%
Jul-07	95	28,385,035	41,923,710	13,538,675	47.70%
Aug-07	138	27,803,111	38,146,284	10,343,173	37.20%
Sep-07	80	16,753,073	23,052,229	6,299,156	37.60%
				$112,597,689	

Projected Increase in 2008-09 Values Due to Sales:	$112,597,689
Total VVEDA Project Area 2007-08 Value:	6,257,504,948
Percentage Increase in 2008-09 Values Due to Sales:	1.80%

Increase in Assessed Value Due to Sales — **Exhibit 4B**

Southern California Logistics Airport Authority - Victorville Area

Month	Sales	Presale Value	Sale Price	Increase/ (Decrease)	Percent
Jan-07	95	$23,580,554	$31,748,360	$8,167,806	34.64%
Feb-07	118	26,717,648	36,678,937	9,961,289	37.28%
Mar-07	94	16,711,605	26,243,687	9,532,082	57.04%
Apr-07	75	14,329,651	23,720,523	9,390,872	65.53%
May-07	89	18,658,837	28,694,056	10,035,219	53.78%
Jun-07	99	20,670,466	33,799,995	13,129,529	63.52%
Jul-07	73	24,739,829	34,797,341	10,057,512	40.65%
Aug-07	97	20,603,268	28,180,213	7,576,945	36.78%
Sep-07	64	13,461,255	18,706,877	5,245,622	38.97%
				$83,096,876	

Projected Increase in 2008-09 Values Due to Sales:	$83,096,876
Total VVEDA Project Area 2007-08 Value:	$3,823,004,373
Percentage Increase in 2008-09 Values Due to Sales:	2.17%

Increase in Assessed Value Due to Sales — **Exhibit 4C**

Southern California Logistics Airport Authority - Apple Valley Area

Month	Sales	Presale Value	Sale Price	Increase/ (Decrease)	Percent
Jan-07	25	$6,633,461	$11,310,935	$4,677,474	70.51%
Feb-07	8	2,595,724	3,228,000	632,276	24.36%
Mar-07	21	5,252,241	8,559,912	3,307,671	62.98%
Apr-07	16	3,186,106	5,200,000	2,013,894	63.21%
May-07	12	2,766,921	3,664,358	897,437	32.43%
Jun-07	13	3,160,019	6,053,000	2,892,981	91.55%
Jul-07	14	2,468,982	5,544,360	3,075,378	124.56%
Aug-07	25	5,618,444	7,232,814	1,614,370	28.73%
Sep-07	8	2,645,899	2,779,135	133,236	5.04%
				$19,244,717	

Projected Increase in 2008-09 Values Due to Sales:	$19,244,717
Total VVEDA Project Area 2007-08 Value:	$1,200,385,946
Percentage Increase in 2008-09 Values Due to Sales:	1.60%

Increase in Assessed Value Due to Sales — **Exhibit 4D**

Southern California Logistics Airport Authority - San Bernardino County Area

Month	Sales	Presale Value	Sale Price	Increase/ (Decrease)	Percent
Jan-07	0	$0	$0	$0	0.00%
Feb-07	1	8,518	130,000	121,482	1426.18%
Mar-07	1	58,749	245,000	186,251	317.03%
Apr-07	3	129,020	422,000	292,980	227.08%
May-07	1	13,648	60,000	46,352	339.62%
Jun-07	3	222,438	453,000	230,562	103.65%
Jul-07	2	66,844	390,000	323,156	483.45%
Aug-07	1	158,000	150,957	(7,043)	-4.46%
Sep-07	2	12,769	166,500	153,731	1203.94%
				$1,347,471	

Projected Increase in 2008-09 Values Due to Sales:	$1,347,471
Total VVEDA Project Area 2007-08 Value:	$107,991,366
Percentage Increase in 2008-09 Values Due to Sales:	1.25%

Increase in Assessed Value Due to Sales — **Exhibit 4E**

Southern California Logistics Airport Authority - Hesperia Area

Month	Sales	Presale Value	Sale Price	Increase/ (Decrease)	Percent
Jan-07	6	$1,230,978	$1,899,000	$668,022	54.27%
Feb-07	12	1,323,251	2,491,000	1,167,749	88.25%
Mar-07	4	764,157	1,381,000	616,843	80.72%
Apr-07	11	1,981,384	3,265,000	1,283,616	64.78%
May-07	7	993,436	2,056,599	1,063,163	107.02%
Jun-07	9	1,560,794	2,618,939	1,058,145	67.80%
Jul-07	5	1,097,679	1,184,509	86,830	7.91%
Aug-07	8	1,183,197	2,125,300	942,103	79.62%
Sep-07	5	628,285	1,378,217	749,932	119.36%
				$7,636,403	

Projected Increase in 2008-09 Values Due to Sales:	$7,636,403
Total VVEDA Project Area 2007-08 Value:	$332,387,188
Percentage Increase in 2008-09 Values Due to Sales:	2.30%

Increase in Assessed Value Due to Sales — **Exhibit 4F**

Southern California Logistics Airport Authority - Adelanto Area

Month	Sales	Presale Value	Sale Price	Increase/ (Decrease)	Percent
Jan-07	2	$337,338	$441,000	$103,662	30.73%
Feb-07	3	75,827	376,500	300,673	396.52%
Mar-07	3	105,780	385,000	279,220	263.96%
Apr-07	0	0	0	0	0.00%
May-07	1	140,000	375,500	235,500	168.21%
Jun-07	0	0	0	0	0.00%
Jul-07	0	0	0	0	0.00%
Aug-07	5	232,496	342,000	109,504	47.10%
Sep-07	0	0	0	0	0.00%
				$1,028,559	

Projected Increase in 2008-09 Values Due to Sales:	$1,028,559
Total VVEDA Project Area 2007-08 Value:	$66,150,817
Percentage Increase in 2008-09 Values Due to Sales:	1.55%

Increase in Assessed Value Due to Sales — **Exhibit 4G**

Southern California Logistics Airport Authority - Victorville Amendment IV Area

Month	Sales	Presale Value	Sale Price	Increase/ (Decrease)	Percent
Jan-07	0	$0	$0	$0	0.00%
Feb-07	0	0	0	0	0.00%
Mar-07	0	0	0	0	0.00%
Apr-07	0	0	0	0	0.00%
May-07	0	0	0	0	0.00%
Jun-07	0	0	0	0	0.00%
Jul-07	0	0	0	0	0.00%
Aug-07	1	1,856	35,000	33,144	1785.78%
Sep-07	0	0	0	0	0.00%
				$33,144	

Projected Increase in 2008-09 Values Due to Sales:	$33,144
Total VVEDA Project Area 2007-08 Value:	$5,451,015
Percentage Increase in 2008-09 Values Due to Sales:	0.61%

Increase in Assessed Value Due to Sales					Exhibit 4H
Southern California Logistics Airport Authority - San Bernardino County Amendment IV Area					
Month	Sales	Presale Value	Sale Price	Increase/ (Decrease)	Percent
Jan-07	0	$0	$0	$0	0.00%
Feb-07	1	32,349	80,000	47,651	147.30%
Mar-07	1	10,716	82,000	71,284	665.21%
Apr-07	1	75,000	80,000	5,000	6.67%
May-07	0	0	0	0	0.00%
Jun-07	0	0	0	0	0.00%
Jul-07	1	11,701	7,500	(4,201)	-35.90%
Aug-07	1	5,850	80,000	74,150	1267.52%
Sep-07	1	4,865	21,500	16,635	341.93%
				$210,519	
Projected Increase in 2008-09 Values Due to Sales:				$210,519	
Total VVEDA Project Area 2007-08 Value:				$24,841,422	
Percentage Increase in 2008-09 Values Due to Sales:				0.85%	

Source: Metroscan

Based on an analysis of property assessments in the Project Areas, RSG has determined property sales are anticipated to increase fiscal year 2008-09 assessed values in the VVEDA Project Area by $112,595,689 or 1.80%. In the tax increment projections (see Exhibit 10), RSG has added value in 2007-08 based upon property sales within the Project Areas noted in Exhibit 4 because these sales have already occurred.

Changes in Value Caused by New Construction

Exhibit 5 presents a summary of building permits whose completed improvements will result in an increase in assessed value for the subject property that is anticipated to be reflected on the 2008-09 assessment roll. Exhibit 5 only covers the Victorville and SCLA portions of the Project Area and includes data through September 2007.

Building Permit Activity				**Exhibit 5**
Southern California Logistics Airport Authority - Victorville and SCLA Areas				
	Commercial Permits		**Residential Permits**	
Month	# Permits	Valuation	# Permits	Valuation
Jan-07	1	$180,439	21	$3,449,907
Feb-07	3	721,735	68	13,801,967
Mar-07	1	205,744	51	8,464,468
Apr-07	1	20,000	53	9,858,112
May-07	1	194,722	108	20,882,856
Jun-07	2	1,016,820	44	8,668,569
Jul-07	1	261,082	45	8,801,846
Aug-07	16	4,624,548	65	11,766,424
	26	$7,225,090	455	$85,694,149
Total Value Added to 2008-09		$92,919,239		
Total 2007-08 Value		$6,257,504,948		
Percentage Increase		1.48%		

Source: City of Victorville

An additional $92.9 million is anticipated to be reflected on the 2008-09 assessment roll as a result of new development in the VVEDA Project Area. New construction reflected in building permit data is anticipated to increase secured assessed values by 1.48%. New development is assessed based on both construction costs and market conditions. Because building permit value is generally lower than construction costs, RSG incorporated the total permit value of the buildings in the projected tax increment revenue as a conservative estimate of added value due to new development. The additional value has been included in 2007-08 because the construction is already in place.

County Collections/Delinquecies

VVEDA has not been placed on the County's "Teeter Plan", which stabilizes property tax payments at 100% of anticipated receipts. Consequently, delinquent property taxes do impact VVEDA's tax increment revenues. Since fiscal year 2000-01, the delinquency rate in San Bernardino County has averaged 3.7%. The County Auditor-Controller does not track delinquency rates by Redevelopment Project so the Project Area's delinquency rate is not available.

TAXING AGENCY 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. Exhibit 6 presents a summary of the pass through payments and tax increment distribution requirements.

Summary of Agreement Terms	Exhibit 6
Southern California Logistics Airport Authority	
Pursuant to Section 703 of Plan	
Taxing Entities excluded from Tax Increment definition:	
Apple Valley Fire Protection District (WF01)	
Mojave Water Agency (WY20)	
Baldy Mesa County Water District (WW05)	
Mojave River County Water District (VW02)	
Apple Valley Park District (VP01)	
Hesperia Park District (VP02)	
City Member Share to VVEDA use [Section 703(b)(I)(a)]	
Victorville - 5.2935% to VVEDA from increment generated within its boundaries	
Apple Valley - same	
Hesperia - same	
This means that the remainder of each city's 1% share gets passed through to the City	
County of San Bernardino	
5.2935% to VVEDA from increment generated in unincorporated areas	
AND 5.2935% to VVEDA from municipally incorporated areas	
Pursuant to School Pass Through Agreements	
Tax Increment excludes over-ride rates, unitary utility revenue, State subventions (Homeowner)	
Low/mod is not deducted prior to calculation of payment	
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	
Payments shall not be subordinate to VVEDA bonds & indebtedness	
Pursuant to JPA Agreement	
All GAFB generated Tax Increment for use on GAFB with understanding that Victorville will set aside 20% thereof for low/mod	
97/98 & 98/99 increment be used on GAFB (no longer applicable)	
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	
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 & Member Contributions are reimbursed, then TI is 50%:50% GAFB:Member	
For Adelanto, 50% to GAFB: 25% to Adelanto territory: 25% reimburse Authority and when paid off, this 25% goes to Adelanto	

CRL Section 33607.5 Payments

The 4th and 8th Amendment Areas are subject to statutory pass through payments required by CRL Section 33607.5. These payments for the 4th Amendment Area are calculated in the tax increment projections included in Exhibit 10 (the projections do not include any revenue or pass through payments from the 8th Amendment Area).

LOW AND MODERATE INCOME HOUSING FUND DEPOSITS

The CRL requires VVEDA to deposit 20% of the tax increment received by VVEDA into a Low and Moderate Income Housing Fund for the purposes of maintaining and expanding the supply of housing affordable to very low, low, and moderate income households.

TOP TEN TAXPAYERS

Utilizing the County's 2007-08 Secured Assessment Rolls, the top ten largest taxpayers within the Project Area have been identified and are listed on Exhibit 7A-H. Exhibit 7 includes the top ten for the entire Project Area, the Victorville and SCLA portions only, and each individual member jurisdiction's portion (with the original areas and amendment IV added areas combined for Victorville and San Bernardino County).

2007-08 Top Ten Secured Taxpayers — **Exhibit 7A**

Southern California Logistics Airport Authority - VVEDA Project Area

	Taxpayer	No. Parcels	Land Use(s)	Assessed Value	% of Value
1	High Desert Power Trust	1	Industrial	$481,000,000	7.69%
2	Riverside Cement Company	28	Industrial, Residential, Vacant	212,935,690	3.40%
3	Cemex California Cement LLC	21	Industrial, Residential, Vacant	70,758,499	1.13%
4	Apple Valley Ranchos Water Co.	8	Industrial, Residential, Vacant	33,772,663	0.54%
5	Empire Homes LLC	166	Vacant	32,412,120	0.52%
6	Standard Pacific Corp.	212	Vacant	27,328,601	0.44%
7	K Hovnanian Forecast Homes Inc.	125	Vacant	24,277,514	0.39%
8	Victorville Tefft Llc	3	Vacant	22,950,000	0.37%
9	General Electric Company	20	Industrial	20,870,778	0.33%
10	Apple Valley Commons I LLC	31	Vacant	17,990,924	0.29%
		615		$944,296,789	15.09%
			Total Project Area Assessed Value	$6,257,504,948	

2007-08 Top Ten Secured Taxpayers — **Exhibit 7B**

Southern California Logistics Airport Authority - Victorville and SCLA Areas

	Taxpayer	No. Parcels	Land Use(s)	Assessed Value	% of Value
1	High Desert Power Trust	1	Industrial	$481,000,000	10.63%
2	Cemex California Cement LLC	12	Industrial, Residential, Vacant	70,550,112	1.56%
3	Empire Homes LLC	166	Vacant	32,412,120	0.72%
4	Standard Pacific Corp.	212	Vacant	27,328,601	0.60%
5	Victorville Tefft Llc	3	Vacant	22,950,000	0.51%
6	General Electric Company	20	Industrial	20,870,778	0.46%
7	K Hovnanian Forecast Homes Inc.	3	Vacant	20,022,600	0.44%
8	Century Crowell Santa Rosa LLC	117	Residential, Vacant	17,736,075	0.39%
9	Lowe's H I W Inc.	1	Commercial	16,243,414	0.36%
10	Bear Valley Partners	11	Commercial, Vacant	15,929,280	0.35%
		546		$725,042,980	16.02%
			Victorville and SCLA Combined Assessed Value	$4,525,748,209	

2007-08 Top Ten Secured Taxpayers — **Exhibit 7C**

Southern California Logistics Airport Authority - Victorville Area

	Taxpayer	No. Parcels	Land Use(s)	Assessed Value	% of Value
1	Cemex California Cement LLC	12	Industrial, Residential, Vacant	$70,550,112	1.84%
2	Empire Homes LLC	166	Vacant	32,412,120	0.85%
3	Standard Pacific Corp.	212	Vacant	27,328,601	0.71%
4	Victorville Tefft Llc	3	Vacant	22,950,000	0.60%
5	K Hovnanian Forecast Homes Inc.	3	Vacant	20,022,600	0.52%
6	Century Crowell Santa Rosa LLC	117	Residential, Vacant	17,736,075	0.46%
7	Lowe's H I W Inc.	1	Commercial	16,243,414	0.42%
8	Bear Valley Partners	11	Commercial, Vacant	15,929,280	0.42%
9	KB Home Greater Los Angeles Inc.	162	Residential, Vacant	13,865,059	0.36%
10	Glen L. Ludwig Trust	103	Commercial, Residential, Vacant	13,357,496	0.35%
		790		$250,394,757	6.54%
			Victorville Original and Added Area Combined Assessed Value	$3,828,455,388	

2007-08 Top Ten Secured Taxpayers — **Exhibit 7D**

Southern California Logistics Airport Authority - SCLA Area

	Taxpayer	No. Parcels	Land Use(s)	Assessed Value	% of Value
1	High Desert Power Trust	1	Industrial	$481,000,000	68.98%
2	General Electric Company	20	Industrial	20,870,778	2.99%
3	Stirling Capital Investments LLC	23	Commercial, Industrial, Vacant	8,351,298	1.20%
4	Liberty West Aerospace	1	Commercial	4,834,000	0.69%
5	Southern California Aviation	1	Commercial	3,990,477	0.57%
6	Pratt & Whitney Specialty Materials	1	Commercial	3,945,000	0.57%
7	Victorville Aerospace LLC	1	Commercial	1,552,347	0.22%
8	Leading Edge Aviation Services Inc.	1	Commercial	1,040,400	0.15%
9	Boeing Company Inc.	2	Commercial	642,967	0.09%
10	May Manufacturing Inc.	1	Commercial	640,120	0.09%
		52		$526,867,387	75.56%
			SCLA Area Assessed Value	$697,292,821	

2007-08 Top Ten Secured Taxpayers				Exhibit 7E
Southern California Logistics Airport Authority - Apple Valley Area				
Taxpayer	No. Parcels	Land Use(s)	Assessed Value	% of Value
1 Apple Valley Ranchos Water Company	7	Industrial, Residential, Vacant	$33,771,823	2.81%
2 Apple Valley Commons I LLC	31	Vacant	17,990,924	1.50%
3 Los Ranchos FSPE LLC	4	Residential	10,167,312	0.85%
4 HPT Partners LLC	3	Professional	8,819,800	0.73%
5 Ross E. Carl Living Trust	14	Vacant	8,605,413	0.72%
6 ASP Realty	1	Commercial	7,938,966	0.66%
7 Cambridge Homes Inc.	9	Vacant	6,119,858	0.51%
8 Bearwood Partners	1	Commercial	4,820,478	0.40%
9 Lakritz Family Partnership	3	Professional	4,642,020	0.39%
10 Wal-Mart Stores Inc.	1	Vacant	4,358,690	0.36%
	74		$107,235,284	8.93%
		Apple Valley Area Assessed Value	$1,200,385,946	

2007-08 Top Ten Secured Taxpayers				Exhibit 7F
Southern California Logistics Airport Authority - Hesperia Area				
Taxpayer	No. Parcels	Land Use(s)	Assessed Value	% of Value
1 Roger F. Graham	1	Industrial	$2,768,169	0.83%
2 Debra J. Hart	3	Residential	942,603	0.28%
3 Jose Moran Jr.	3	Professional, Residential	799,167	0.24%
4 Martin Villegas	2	Residential	798,432	0.24%
5 Samuel M. Manahan	1	Residential	691,500	0.21%
6 Bank of New York	3	Residential	680,293	0.20%
7 Monarch Landing LLC	2	Vacant	650,000	0.20%
8 Ricardo Licon	3	Residential, Vacant	640,919	0.19%
9 Garnik Mkrttchyan	4	Residential, Vacant	636,706	0.19%
10 Jose R. Gutierrez	2	Residential	611,416	0.18%
	24		$9,219,205	2.77%
		Hesperia Area Assessed Value	$332,387,188	

2007-08 Top Ten Secured Taxpayers				Exhibit 7G
Southern California Logistics Airport Authority - San Bernardino County Area				
Taxpayer	No. Parcels	Land Use(s)	Assessed Value	% of Value
1 Riverside Cement Company	18	Industrial, Residential, Vacant	$212,585,595	160.04%
2 Ross E. Carl Trust	12	Vacant	6,475,164	0.10%
3 Seasons Land Corporation	26	Vacant	2,494,625	0.04%
4 Milbry Spicer	1	Vacant	1,000,000	0.02%
5 Home Services Network Inc.	3	Vacant	911,159	0.01%
6 Anhnguyet Nguyen	1	Vacant	900,000	0.01%
7 Joseph Dorgan	10	Residential, Vacant	694,615	0.01%
8 Alex Abadi	1	Vacant	663,000	0.01%
9 Laverty Living Trust	1	Vacant	600,000	0.01%
10 Osborne Family Trust	1	Industrial	551,361	0.01%
	74		$226,875,519	160.27%
		San Bernardino County Original and Added Area Combined Assessed Value	$132,832,788	

2007-08 Top Ten Secured Taxpayers					Exhibit 7H
Southern California Logistics Airport Authority - Adelanto Area					
	Taxpayer	No. Parcels	Land Use(s)	Assessed Value	% of Value
1	LP High Desert Land Co. LLC	31	Vacant	$15,421,078	0.25%
2	Niaz LLC	1	Vacant	4,219,895	0.07%
3	Zaman LLC	1	Vacant	4,136,000	0.07%
4	VVLS LLC	3	Vacant	2,142,800	0.03%
5	Viking Run	16	Vacant	1,544,904	0.02%
6	Seasons Land Corporation	25	Vacant	1,301,225	0.02%
7	Mehdi Taheri	2	Vacant	1,086,000	0.02%
8	Grandview Towers LLC	2	Vacant	1,036,000	0.02%
9	LHC High Desert Land LLC	1	Vacant	918,000	0.01%
10	Mehdi Mostaedi	2	Vacant	875,000	0.01%
		84		$32,680,902	0.52%
			Adelanto Area Assessed Value	$66,150,817	

Source: Metroscan

The top ten taxpayers' secured assessed value encompasses $944.3 million or 15.09% of the total Project Area assessed valuation. In the Victorville area, the top ten taxpayers make up $250.4 million or 6.54% of the total. In the SCLA area, the top ten taxpayers make up $526.9 million or 75.56%. The top ten taxpayers in these two areas combined encompass $725.0 million or 16.02%.

LAND USE

A majority of the Project Area's secured assessed value is generated by Residential property. Exhibit 8A-H summarizes the 2007-08 total secured assessed values by land use category.

Secured Assessed Value by Land Use			Exhibit 8A
Southern California Logistics Airport Authority - Victorville Area			
Land Use	No. of Parcels	Secured Assessed Value	% of Value
Commercial	304	$273,674,332	7.28%
Industrial	110	102,260,364	2.72%
Residential	14125	2,769,046,983	73.69%
Vacant	4970	507,559,478	13.51%
Office/Professional	144	80,815,151	2.15%
Recreational/Social	26	4,441,332	0.12%
Public/Institutional	41	10,252,196	0.27%
Miscellaneous	52	9,590,150	0.26%
	19772	$3,757,639,986	100.00%

Secured Assessed Value by Land Use			Exhibit 8B
Southern California Logistics Airport Authority - SCLA Area			
Land Use	No. of Parcels	Secured Assessed Value	% of Value
Commercial	36	$20,912,006	3.92%
Industrial	9	505,809,726	94.77%
Residential	0	0	0.00%
Vacant	56	5,882,236	1.10%
Office/Professional	2	982,933	0.18%
Recreational/Social	0	0	0.00%
Public/Institutional	1	0	0.00%
Miscellaneous	3	114,717	0.02%
	107	$533,701,618	100.00%

Secured Assessed Value by Land Use			Exhibit 8C
Southern California Logistics Airport Authority - Apple Valley Area			
Land Use	No. of Parcels	Secured Assessed Value	% of Value
Commercial	63	$57,435,942	5.71%
Industrial	10	36,309,301	3.61%
Residential	3014	690,252,792	68.66%
Vacant	1564	148,916,000	14.81%
Office/Professional	83	63,422,551	6.31%
Recreational/Social	1	709,799	0.07%
Public/Institutional	12	2,181,925	0.22%
Miscellaneous	33	6,147,252	0.61%
	4780	$1,005,375,562	100.00%

Secured Assessed Value by Land Use			Exhibit 8D
Southern California Logistics Airport Authority - County Area			
Land Use	No. of Parcels	Secured Assessed Value	% of Value
Commercial	12	$843,020	0.34%
Industrial	13	213,633,124	85.41%
Residential	239	15,098,397	6.04%
Vacant	482	20,213,930	8.08%
Public/Institutional	3	132,096	0.05%
Miscellaneous	2	203,350	0.08%
	751	$250,123,917	100.00%

Secured Assessed Value by Land Use			Exhibit 8E
Southern California Logistics Airport Authority - Hesperia Area			
Land Use	No. of Parcels	Secured Assessed Value	% of Value
Commercial	2	$753,320	0.26%
Industrial	4	3,111,094	1.07%
Residential	1763	280,869,579	96.20%
Vacant	225	6,046,356	2.07%
Office/Professional	2	808,674	0.28%
Public/Institutional	6	360,373	0.12%
	2002	$291,949,396	100.00%

Secured Assessed Value by Land Use			Exhibit 8F
Southern California Logistics Airport Authority - Adelanto Area			
Land Use	No. of Parcels	Secured Assessed Value	% of Value
Commercial	1	$265,302	0.38%
Industrial	35	631,029	0.91%
Residential	8	820,367	1.19%
Vacant	891	67,323,424	97.48%
Public/Institutional	1	24,741	0.04%
	936	$69,064,863	100.00%

Secured Assessed Value by Land Use			Exhibit 8G
Southern California Logistics Airport Authority - Victorville Amend. IV			
Land Use	No. of Parcels	Secured Assessed Value	% of Value
Commercial	2	$0	0.00%
Residential	15	358,357	8.32%
Vacant	108	3,947,037	91.68%
	125	$4,305,394	100.00%

Secured Assessed Value by Land Use			Exhibit 8H
Southern California Logistics Airport Authority - County Amend. IV			
Land Use	No. of Parcels	Secured Assessed Value	% of Value
Residential	20	1,935,679	8.32%
Vacant	538	21,339,782	91.68%
	558	$23,275,461	100.00%

Source: Metroscan

Nearly three-fourths of the Victorville portion of the Project Area is residential property. Nearly 95% of the SCLA portion is industrial property.

ASSESSMENT APPEALS

Property taxpayers that wish to dispute the value of their property may file an assessment appeal with the County Clerk of the Board of Supervisors. 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.

Exhibit 9 summarizes the assessment appeal history of the Project Area.

Assessment Appeal History — **Exhibit 9**

Southern California Logistics Airport Authority - VVEDA Project Area

Fiscal Year	Stipulated/ Reduced	Withdrawn/ Late/Denied	Pending	Total	AV of All Appeals		Granted Reductions		Average Reduction	Pending Reductions		Total Project Area Value
2006-07	0	1	14	15	$8,979,554	0.19%	-	0.00%	-	3,535,364	0.08%	$4,661,333,895
2005-06	3	7	8	18	33,512,319	0.92%	854,888	0.02%	284,963	11,745,130	0.32%	3,658,996,600
2004-05	7	17	4	28	26,916,286	0.87%	28,609,811	0.92%	4,087,116	3,090,959	0.10%	3,094,555,700
2003-04	3	18	11	32	53,048,275	1.99%	1,241,248	0.05%	413,749	14,402,600	0.54%	2,664,576,252
2002-03	3	15	2	20	18,616,570	0.86%	2,976,696	0.14%	992,232	2,293,359	0.11%	2,163,440,290
	16	58	39	113			$33,682,643		$5,778,060	$35,067,412		
Historical Rate of Granted Appeals:							14.16%					
Average Granted Reduction as Percentage of Requested Reduction:							49.37%					

Source: San Bernardino County Clerk of the Board of Supervisors

Over the past five years, 16 of the 113 (14.16%) appeals filed in the VVEDA Project Area were granted. There are 39 unresolved appeals in the Victorville and SCLA portions of the Project Area. These unresolved appeals create a potential loss of $35.1 million (or 0.56% of the Project Area Assessed Value). The affect of successful tax appeals has not been included in the tax increment projections presented in Exhibit 10 because the outcome cannot be accurately predicted, and it is likely that successful existing appeals will not materially affect future tax increment revenue to the Project Area.

Top Ten Taxpayer Appeals

Eight of the unresolved appeals shown in Exhibit 9 were filed in 2003 by Cemex California Concrete LLC ("Cemex"), which is the largest taxpayer in the Victorville portion of the Project Area and the second largest taxpayer overall. Based on information provided by the San Bernardino County Clerk of the Board of Supervisors, Cemex actually filed a single appeal on the value of 118 parcels—20 of which are within the VVEDA Project Area and 98 are outside of the project area. On this single appeal, Cemex requested that the total Assessed Value be reduced from the roll value of $295 million to $185 million. Because this appeal included parcels inside and outside the Project Area, RSG listed the 10 parcels within the Victorville and SCLA portions of the Project Area as separate appeals on Exhibit 9 and assumed that the applicant requested value for each parcel is a proportionate share of the requested reduction based on the current roll value. This results in a potential loss of $14.3 million of Assessed Value if the value of each parcel is reduced by the assumed factor.

Additionally, there are two unresolved appeals for General Electric (the fifth largest taxpayer overall), both filed in 2005. The two appeals request a total reduction of $19.2 million.

TAX INCREMENT REVENUE PROJECTIONS

Exhibit 10A-I 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

SCLA 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 ("Power Plant"). Section 2.02 of the agreement provides that, beginning three years from the agreement (2/2004) and continuing until the year 2024, if SCLA is not receiving net tax increment revenues of at least $2,000,000 annually from the Power Plant development, HDPT will pay SCLA "an amount equal to the difference between the amount of tax increment revenues that SCLA 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 2007-08 valuation assigned to the Power Plant is $481 million. This valuation will result in gross property taxes of approximately $4.8 million; therefore, the net tax increment revenues generated by the Power Plant starting in 2007-08 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.

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 annually assesses 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.

Though the Power Plant was recently sold to Tenaska Energy, HDPT is still responsible for the Additional Revenue payments.

High Desert Power Trust 2000-A v. State Board of Equalization, et al.

The State Board of Equalization originally assessed the High Desert Power Plant at a value of $473,400,000 for the 2003 property tax assessment year. High Desert Power Trust 2000-A ("HDPT") petitioned for reassessment, contending that the correct value was only $224,471,394. Following HDPT's petition, the Board reassessed the plant at a value of $429,600,000. HDPT then filed the above referenced action on July 6, 2005, seeking a refund of property taxes paid for 2003. HDPT alleged five causes of action.

The first cause of action challenged the jurisdiction of the State Board of Equalization to make an assessment of the power plant on the grounds that the plant was not a "public utility" within the meaning of the applicable law. The second through the fifth causes of action all challenged the assessed valuation of the power plant.

In March 2006, the City, SCLA, and VVEDA filed a complaint in intervention against HDPT seeking damages for fraud and breach of contract by HDPT. HDPT, the City, SCLA, and VVEDA entered into a Settlement Agreement in October 2007. Under the terms of the settlement agreement, both complaints will be dismissed and HPDT will not challenge property valuations for the Power Plant for the year 2006 or earlier.

Development within the SCLA Area and Victorville Area

For 2007-08 the total assessed valuation of properties within the Southern California Logistics Airport ("SCLA") territory is $761 million. After deduction of the $7.8 million base year value of the SCLA area, and the $481 million of value associated with the power plant, the remaining $272.2 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 $2,856,656,900 in 2006-07 to $3,834,890,000 in 2007-08, a 34.2% 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.

While RSG has taken precautions to assure the accuracy of the data used in the formulation of the 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.

Tax Increment Projections **Exhibit 10A**

Southern California Logistics Airport Authority - VVEDA Project Area

Fiscal Year	Estimated Gross Tax Increment 1.00%	Low & Moderate Income Housing Set-Aside 20%	Pass Through Payments	Net Revenue To Other Member Jurisdictions	Net Revenue To Victorville	Non-Housing Revenue to SCLA	Total Pledge Revenue (Victorville + SCLA)
2007-08	46,557,918	(9,311,584)	(12,397,903)	2,796,327	7,559,378	14,492,726	22,052,104
2008-09	47,850,523	(9,570,105)	(12,743,250)	2,885,780	7,772,492	14,878,896	22,651,388
2009-10	49,168,979	(9,833,796)	(13,095,503)	2,977,022	7,989,868	15,272,790	23,262,658
2010-11	50,513,805	(10,102,761)	(13,458,217)	3,068,455	8,211,518	15,672,853	23,884,371
2011-12	51,885,527	(10,377,105)	(13,828,186)	3,161,717	8,437,600	16,080,918	24,518,518
2012-13	53,284,683	(10,656,937)	(14,205,554)	3,256,844	8,668,205	16,497,143	25,165,348
2013-14	54,711,823	(10,942,365)	(14,590,470)	3,353,874	8,903,421	16,921,694	25,825,115
2014-15	56,167,505	(11,233,501)	(14,983,083)	3,452,844	9,143,342	17,354,735	26,498,077
2015-16	57,652,301	(11,530,460)	(15,383,549)	3,553,793	9,388,061	17,796,437	27,184,498
2016-17	59,166,793	(11,833,359)	(15,792,025)	3,656,762	9,637,674	18,246,974	27,884,648
2017-18	60,711,575	(12,142,315)	(16,208,670)	3,761,790	9,892,280	18,706,521	28,598,800
2018-19	62,287,252	(12,457,450)	(16,633,647)	3,868,918	10,151,978	19,175,259	29,327,236
2019-20	63,894,443	(12,778,889)	(17,067,125)	3,978,189	10,416,869	19,653,371	30,070,241
2020-21	65,533,778	(13,106,756)	(17,509,272)	4,089,646	10,687,059	20,141,046	30,828,105
2021-22	67,205,900	(13,441,180)	(17,960,261)	4,203,331	10,962,653	20,638,475	31,601,127
2022-23	68,911,464	(13,782,293)	(18,420,271)	4,319,291	11,243,758	21,145,852	32,389,609
2023-24	70,651,139	(14,130,228)	(18,889,481)	4,437,569	11,530,485	21,663,376	33,193,861
2024-25	72,425,608	(14,485,122)	(19,368,075)	4,558,213	11,822,947	22,191,251	34,014,198
2025-26	74,235,566	(14,847,113)	(19,856,241)	4,681,270	12,121,258	22,729,684	34,850,942
2026-27	76,081,723	(15,216,345)	(20,354,170)	4,806,788	12,425,536	23,278,885	35,704,421
2027-28	77,964,804	(15,592,961)	(20,862,058)	4,934,817	12,735,899	23,839,070	36,574,969
2028-29	79,885,546	(15,977,109)	(21,380,103)	5,065,406	13,052,469	24,410,459	37,462,928
2029-30	81,844,702	(16,368,940)	(21,908,509)	5,198,606	13,375,371	24,993,276	38,368,646
2030-31	83,843,042	(16,768,608)	(22,450,868)	5,332,853	13,704,657	25,586,057	39,290,714
2031-32	85,881,349	(17,176,270)	(23,004,074)	5,469,784	14,040,529	26,190,693	40,231,222
2032-33	87,960,422	(17,592,084)	(23,568,343)	5,609,454	14,383,118	26,807,423	41,190,541
2033-34	90,081,077	(18,016,215)	(24,143,898)	5,751,917	14,732,560	27,436,487	42,169,046
2034-35	92,244,144	(18,448,829)	(24,730,965)	5,897,229	15,088,990	28,078,132	43,167,122
2035-36	94,450,473	(18,890,095)	(25,329,772)	6,045,448	15,452,548	28,732,610	44,185,158
2036-37	96,700,928	(19,340,186)	(25,940,556)	6,196,631	15,823,378	29,400,178	45,223,556
2037-38	98,996,393	(19,799,279)	(26,563,555)	6,350,838	16,201,624	30,081,097	46,282,721
2038-39	101,337,767	(20,267,553)	(27,199,014)	6,508,129	16,587,436	30,775,635	47,363,070
2039-40	103,725,968	(20,745,194)	(27,847,183)	6,668,565	16,980,963	31,484,063	48,465,026
2040-41	106,161,933	(21,232,387)	(28,508,315)	6,832,211	17,382,361	32,206,660	49,589,021
2041-42	108,646,618	(21,729,324)	(29,182,669)	6,999,129	17,791,787	32,943,708	50,735,496
2042-43	111,180,996	(22,236,199)	(29,870,511)	7,169,386	18,209,402	33,695,498	51,904,900
2043-44	113,766,062	(22,753,212)	(30,572,110)	7,343,048	18,635,369	34,462,324	53,097,692
2044-45	116,402,829	(23,280,566)	(31,287,740)	7,520,183	19,069,855	35,244,486	54,314,341
2045-46	119,092,332	(23,818,466)	(32,017,683)	7,700,861	19,513,031	36,042,291	55,555,322
2046-47	121,835,625	(24,367,125)	(32,762,225)	7,885,152	19,965,070	36,856,052	56,821,123
2047-48	124,633,783	(24,926,757)	(33,521,658)	8,073,129	20,426,151	37,686,089	58,112,240
2048-49	127,487,905	(25,497,581)	(34,296,279)	8,264,866	20,896,453	38,532,726	59,429,179
2049-50	130,399,109	(26,079,822)	(35,086,393)	8,460,437	21,376,160	39,396,296	60,772,457
2050-51	133,368,537	(26,673,707)	(35,892,309)	8,659,920	21,865,462	40,277,138	62,142,600
2051-52	136,397,354	(27,279,471)	(36,714,343)	8,863,393	22,364,551	41,175,596	63,540,147

Tax Increment Projections — **Exhibit 10B**

Southern California Logistics Airport Authority - Victorville Area

Fiscal Year	Total Secured & Unsecured Values 2.00%	Increased Value Due to New Development	Increased Value Due to Sales	Total Assessed Value	Incremental Assessed Value	Estimated Gross Tax Increment 1%	Low & Moderate Income Housing Set-Aside 20%	Pass Through Payments 26.93%	Net Revenue to Member Jurisdiction 50%	Net Revenue to SCLA 50%
BY	**1,165,325,600**									
2007-08	3,834,890,000	92,919,239	83,096,876	4,010,906,115	2,845,580,515	28,455,805	(5,691,161)	(7,663,096)	7,550,774	7,550,774
2008-09	4,091,124,237	0	0	4,091,124,237	2,925,798,637	29,257,986	(5,851,597)	(7,879,122)	7,763,633	7,763,633
2009-10	4,172,946,722			4,172,946,722	3,007,621,122	30,076,211	(6,015,242)	(8,099,469)	7,980,750	7,980,750
2010-11	4,256,405,656			4,256,405,656	3,091,080,056	30,910,801	(6,182,160)	(8,324,222)	8,202,209	8,202,209
2011-12	4,341,533,770			4,341,533,770	3,176,208,170	31,762,082	(6,352,416)	(8,553,471)	8,428,097	8,428,097
2012-13	4,428,364,445			4,428,364,445	3,263,038,845	32,630,388	(6,526,078)	(8,787,304)	8,658,503	8,658,503
2013-14	4,516,931,734			4,516,931,734	3,351,606,134	33,516,061	(6,703,212)	(9,025,814)	8,893,517	8,893,517
2014-15	4,607,270,369			4,607,270,369	3,441,944,769	34,419,448	(6,883,890)	(9,269,095)	9,133,232	9,133,232
2015-16	4,699,415,776			4,699,415,776	3,534,090,176	35,340,902	(7,068,180)	(9,517,240)	9,377,740	9,377,740
2016-17	4,793,404,091			4,793,404,091	3,628,078,491	36,280,785	(7,256,157)	(9,770,349)	9,627,139	9,627,139
2017-18	4,889,272,173			4,889,272,173	3,723,946,573	37,239,466	(7,447,893)	(10,028,520)	9,881,526	9,881,526
2018-19	4,987,057,617			4,987,057,617	3,821,732,017	38,217,320	(7,643,464)	(10,291,855)	10,141,001	10,141,001
2019-20	5,086,798,769			5,086,798,769	3,921,473,169	39,214,732	(7,842,946)	(10,560,456)	10,405,665	10,405,665
2020-21	5,188,534,744			5,188,534,744	4,023,209,144	40,232,091	(8,046,418)	(10,834,429)	10,675,622	10,675,622
2021-22	5,292,305,439			5,292,305,439	4,126,979,839	41,269,798	(8,253,960)	(11,113,881)	10,950,979	10,950,979
2022-23	5,398,151,548			5,398,151,548	4,232,825,948	42,328,259	(8,465,652)	(11,398,923)	11,231,842	11,231,842
2023-24	5,506,114,579			5,506,114,579	4,340,788,979	43,407,890	(8,681,578)	(11,689,666)	11,518,323	11,518,323
2024-25	5,616,236,871			5,616,236,871	4,450,911,271	44,509,113	(8,901,823)	(11,986,223)	11,810,534	11,810,534
2025-26	5,728,561,608			5,728,561,608	4,563,236,008	45,632,360	(9,126,472)	(12,288,711)	12,108,588	12,108,588
2026-27	5,843,132,840			5,843,132,840	4,677,807,240	46,778,072	(9,355,614)	(12,597,250)	12,412,604	12,412,604
2027-28	5,959,995,497			5,959,995,497	4,794,669,897	47,946,699	(9,589,340)	(12,911,959)	12,722,700	12,722,700
2028-29	6,079,195,407			6,079,195,407	4,913,869,807	49,138,698	(9,827,740)	(13,232,962)	13,038,998	13,038,998
2029-30	6,200,779,315			6,200,779,315	5,035,453,715	50,354,537	(10,070,907)	(13,560,385)	13,361,622	13,361,622
2030-31	6,324,794,901			6,324,794,901	5,159,469,301	51,594,693	(10,318,939)	(13,894,357)	13,690,699	13,690,699
2031-32	6,451,290,800			6,451,290,800	5,285,965,200	52,859,652	(10,571,930)	(14,235,008)	14,026,357	14,026,357
2032-33	6,580,316,616			6,580,316,616	5,414,991,016	54,149,910	(10,829,982)	(14,582,472)	14,368,728	14,368,728
2033-34	6,711,922,948			6,711,922,948	5,546,597,348	55,465,973	(11,093,195)	(14,936,886)	14,717,947	14,717,947
2034-35	6,846,161,407			6,846,161,407	5,680,835,807	56,808,358	(11,361,672)	(15,298,387)	15,074,150	15,074,150
2035-36	6,983,084,635			6,983,084,635	5,817,759,035	58,177,590	(11,635,518)	(15,667,119)	15,437,477	15,437,477
2036-37	7,122,746,328			7,122,746,328	5,957,420,728	59,574,207	(11,914,841)	(16,043,225)	15,808,070	15,808,070
2037-38	7,265,201,254			7,265,201,254	6,099,875,654	60,998,757	(12,199,751)	(16,426,854)	16,186,076	16,186,076
2038-39	7,410,505,279			7,410,505,279	6,245,179,679	62,451,797	(12,490,359)	(16,818,155)	16,571,641	16,571,641
2039-40	7,558,715,385			7,558,715,385	6,393,389,785	63,933,898	(12,786,780)	(17,217,282)	16,964,918	16,964,918
2040-41	7,709,889,693			7,709,889,693	6,544,564,093	65,445,641	(13,089,128)	(17,624,392)	17,366,060	17,366,060
2041-42	7,864,087,486			7,864,087,486	6,698,761,886	66,987,619	(13,397,524)	(18,039,644)	17,775,226	17,775,226
2042-43	8,021,369,236			8,021,369,236	6,856,043,636	68,560,436	(13,712,087)	(18,463,201)	18,192,574	18,192,574
2043-44	8,181,796,621			8,181,796,621	7,016,471,021	70,164,710	(14,032,942)	(18,895,229)	18,618,270	18,618,270
2044-45	8,345,432,553			8,345,432,553	7,180,106,953	71,801,070	(14,360,214)	(19,335,897)	19,052,479	19,052,479
2045-46	8,512,341,204			8,512,341,204	7,347,015,604	73,470,156	(14,694,031)	(19,785,379)	19,495,373	19,495,373
2046-47	8,682,588,028			8,682,588,028	7,517,262,428	75,172,624	(15,034,525)	(20,243,851)	19,947,124	19,947,124
2047-48	8,856,239,789			8,856,239,789	7,690,914,189	76,909,142	(15,381,828)	(20,711,492)	20,407,911	20,407,911
2048-49	9,033,364,585			9,033,364,585	7,868,038,985	78,680,390	(15,736,078)	(21,188,486)	20,877,913	20,877,913
2049-50	9,214,031,876			9,214,031,876	8,048,706,276	80,487,063	(16,097,413)	(21,675,019)	21,357,315	21,357,315
2050-51	9,398,312,514			9,398,312,514	8,232,986,914	82,329,869	(16,465,974)	(22,171,284)	21,846,306	21,846,306
2051-52	9,586,278,764			9,586,278,764	8,420,953,164	84,209,532	(16,841,906)	(22,677,473)	22,345,076	22,345,076

Tax Increment Projections **Exhibit 10C**

Southern California Logistics Airport Authority - SCLA Area

Fiscal Year	Total Secured & Unsecured Values 2.00%	Increased Value Due to Sales	Total Assessed Value	Incremental Assessed Value	Estimated Gross Tax Increment 1%	Low & Moderate Income Housing Set-Aside 20%	Pass Through Payments 25.09%	Net Revenue to SCLA 100%
BY	**7,854,300**							
2007-08	761,252,300		761,252,300	753,398,000	7,533,980	(1,506,796)	(1,890,163)	4,137,021
2008-09	776,477,346	0	776,477,346	768,623,046	7,686,230	(1,537,246)	(1,928,360)	4,220,624
2009-10	792,006,893		792,006,893	784,152,593	7,841,526	(1,568,305)	(1,967,321)	4,305,899
2010-11	807,847,031		807,847,031	799,992,731	7,999,927	(1,599,985)	(2,007,062)	4,392,880
2011-12	824,003,971		824,003,971	816,149,671	8,161,497	(1,632,299)	(2,047,597)	4,481,600
2012-13	840,484,051		840,484,051	832,629,751	8,326,298	(1,665,260)	(2,088,943)	4,572,095
2013-14	857,293,732		857,293,732	849,439,432	8,494,394	(1,698,879)	(2,131,116)	4,664,399
2014-15	874,439,606		874,439,606	866,585,306	8,665,853	(1,733,171)	(2,174,133)	4,758,550
2015-16	891,928,399		891,928,399	884,074,099	8,840,741	(1,768,148)	(2,218,009)	4,854,583
2016-17	909,766,967		909,766,967	901,912,667	9,019,127	(1,803,825)	(2,262,764)	4,952,538
2017-18	927,962,306		927,962,306	920,108,006	9,201,080	(1,840,216)	(2,308,413)	5,052,451
2018-19	946,521,552		946,521,552	938,667,252	9,386,673	(1,877,335)	(2,354,975)	5,154,363
2019-20	965,451,983		965,451,983	957,597,683	9,575,977	(1,915,195)	(2,402,469)	5,258,312
2020-21	984,761,023		984,761,023	976,906,723	9,769,067	(1,953,813)	(2,450,913)	5,364,341
2021-22	1,004,456,243		1,004,456,243	996,601,943	9,966,019	(1,993,204)	(2,500,325)	5,472,491
2022-23	1,024,545,368		1,024,545,368	1,016,691,068	10,166,911	(2,033,382)	(2,550,725)	5,582,803
2023-24	1,045,036,275		1,045,036,275	1,037,181,975	10,371,820	(2,074,364)	(2,602,134)	5,695,322
2024-25	1,065,937,001		1,065,937,001	1,058,082,701	10,580,827	(2,116,165)	(2,654,571)	5,810,091
2025-26	1,087,255,741		1,087,255,741	1,079,401,441	10,794,014	(2,158,803)	(2,708,056)	5,927,155
2026-27	1,109,000,856		1,109,000,856	1,101,146,556	11,011,466	(2,202,293)	(2,762,612)	6,046,561
2027-28	1,131,180,873		1,131,180,873	1,123,326,573	11,233,266	(2,246,653)	(2,818,258)	6,168,355
2028-29	1,153,804,490		1,153,804,490	1,145,950,190	11,459,502	(2,291,900)	(2,875,017)	6,292,584
2029-30	1,176,880,580		1,176,880,580	1,169,026,280	11,690,263	(2,338,053)	(2,932,912)	6,419,299
2030-31	1,200,418,192		1,200,418,192	1,192,563,892	11,925,639	(2,385,128)	(2,991,964)	6,548,547
2031-32	1,224,426,556		1,224,426,556	1,216,572,256	12,165,723	(2,433,145)	(3,052,197)	6,680,381
2032-33	1,248,915,087		1,248,915,087	1,241,060,787	12,410,608	(2,482,122)	(3,113,635)	6,814,851
2033-34	1,273,893,388		1,273,893,388	1,266,039,088	12,660,391	(2,532,078)	(3,176,302)	6,952,010
2034-35	1,299,371,256		1,299,371,256	1,291,516,956	12,915,170	(2,583,034)	(3,240,222)	7,091,913
2035-36	1,325,358,681		1,325,358,681	1,317,504,381	13,175,044	(2,635,009)	(3,305,421)	7,234,614
2036-37	1,351,865,855		1,351,865,855	1,344,011,555	13,440,116	(2,688,023)	(3,371,924)	7,380,169
2037-38	1,378,903,172		1,378,903,172	1,371,048,872	13,710,489	(2,742,098)	(3,439,756)	7,528,635
2038-39	1,406,481,235		1,406,481,235	1,398,626,935	13,986,269	(2,797,254)	(3,508,945)	7,680,070
2039-40	1,434,610,860		1,434,610,860	1,426,756,560	14,267,566	(2,853,513)	(3,579,518)	7,834,534
2040-41	1,463,303,077		1,463,303,077	1,455,448,777	14,554,488	(2,910,898)	(3,651,503)	7,992,087
2041-42	1,492,569,139		1,492,569,139	1,484,714,839	14,847,148	(2,969,430)	(3,724,927)	8,152,792
2042-43	1,522,420,522		1,522,420,522	1,514,566,222	15,145,662	(3,029,132)	(3,799,820)	8,316,710
2043-44	1,552,868,932		1,552,868,932	1,545,014,632	15,450,146	(3,090,029)	(3,876,210)	8,483,907
2044-45	1,583,926,311		1,583,926,311	1,576,072,011	15,760,720	(3,152,144)	(3,954,128)	8,654,448
2045-46	1,615,604,837		1,615,604,837	1,607,750,537	16,077,505	(3,215,501)	(4,033,605)	8,828,399
2046-47	1,647,916,934		1,647,916,934	1,640,062,634	16,400,626	(3,280,125)	(4,114,671)	9,005,830
2047-48	1,680,875,272		1,680,875,272	1,673,020,972	16,730,210	(3,346,042)	(4,197,359)	9,186,809
2048-49	1,714,492,778		1,714,492,778	1,706,638,478	17,066,385	(3,413,277)	(4,281,700)	9,371,408
2049-50	1,748,782,633		1,748,782,633	1,740,928,333	17,409,283	(3,481,857)	(4,367,728)	9,559,698
2050-51	1,783,758,286		1,783,758,286	1,775,903,986	17,759,040	(3,551,808)	(4,455,477)	9,751,755
2051-52	1,819,433,452		1,819,433,452	1,811,579,152	18,115,792	(3,623,158)	(4,544,981)	9,947,653

Tax Increment Projections — **Exhibit 10D**

Southern California Logistics Airport Authority - San Bernardino County Area

Fiscal Year	Total Secured & Unsecured Values 2.00%	Increased Value Due to Sales	Total Assessed Value	Incremental Assessed Value	Estimated Gross Tax Increment 1%	Low & Moderate Income Housing Set-Aside 20%	Pass Through Payments 28.22%	Net Revenue to Member Jurisdiction 50%	Net Revenue to SCLA 50%
BY	**50,947,900**								
2007-08	254,381,000	1,347,471	255,728,471	204,780,571	2,047,806	(409,561)	(577,832)	530,206	530,206
2008-09	260,843,040	0	260,843,040	209,895,140	2,098,951	(419,790)	(592,264)	543,449	543,449
2009-10	266,059,901		266,059,901	215,112,001	2,151,120	(430,224)	(606,984)	556,956	556,956
2010-11	271,381,099		271,381,099	220,433,199	2,204,332	(440,866)	(621,999)	570,733	570,733
2011-12	276,808,721		276,808,721	225,860,821	2,258,608	(451,722)	(637,314)	584,786	584,786
2012-13	282,344,896		282,344,896	231,396,996	2,313,970	(462,794)	(652,936)	599,120	599,120
2013-14	287,991,794		287,991,794	237,043,894	2,370,439	(474,088)	(668,870)	613,741	613,741
2014-15	293,751,629		293,751,629	242,803,729	2,428,037	(485,607)	(685,122)	628,654	628,654
2015-16	299,626,662		299,626,662	248,678,762	2,486,788	(497,358)	(701,700)	643,865	643,865
2016-17	305,619,195		305,619,195	254,671,295	2,546,713	(509,343)	(718,609)	659,381	659,381
2017-18	311,731,579		311,731,579	260,783,679	2,607,837	(521,567)	(735,857)	675,206	675,206
2018-19	317,966,211		317,966,211	267,018,311	2,670,183	(534,037)	(753,449)	691,349	691,349
2019-20	324,325,535		324,325,535	273,377,635	2,733,776	(546,755)	(771,393)	707,814	707,814
2020-21	330,812,046		330,812,046	279,864,146	2,798,641	(559,728)	(789,696)	724,609	724,609
2021-22	337,428,287		337,428,287	286,480,387	2,864,804	(572,961)	(808,365)	741,739	741,739
2022-23	344,176,852		344,176,852	293,228,952	2,932,290	(586,458)	(827,408)	759,212	759,212
2023-24	351,060,389		351,060,389	300,112,489	3,001,125	(600,225)	(846,831)	777,034	777,034
2024-25	358,081,597		358,081,597	307,133,697	3,071,337	(614,267)	(866,643)	795,213	795,213
2025-26	365,243,229		365,243,229	314,295,329	3,142,953	(628,591)	(886,851)	813,756	813,756
2026-27	372,548,094		372,548,094	321,600,194	3,216,002	(643,200)	(907,463)	832,669	832,669
2027-28	379,999,056		379,999,056	329,051,156	3,290,512	(658,102)	(928,488)	851,961	851,961
2028-29	387,599,037		387,599,037	336,651,137	3,366,511	(673,302)	(949,933)	871,638	871,638
2029-30	395,351,017		395,351,017	344,403,117	3,444,031	(688,806)	(971,807)	891,709	891,709
2030-31	403,258,038		403,258,038	352,310,138	3,523,101	(704,620)	(994,118)	912,182	912,182
2031-32	411,323,199		411,323,199	360,375,299	3,603,753	(720,751)	(1,016,875)	933,063	933,063
2032-33	419,549,662		419,549,662	368,601,762	3,686,018	(737,204)	(1,040,088)	954,363	954,363
2033-34	427,940,656		427,940,656	376,992,756	3,769,928	(753,986)	(1,063,765)	976,088	976,088
2034-35	436,499,469		436,499,469	385,551,569	3,855,516	(771,103)	(1,087,916)	998,248	998,248
2035-36	445,229,458		445,229,458	394,281,558	3,942,816	(788,563)	(1,112,549)	1,020,852	1,020,852
2036-37	454,134,047		454,134,047	403,186,147	4,031,861	(806,372)	(1,137,675)	1,043,907	1,043,907
2037-38	463,216,728		463,216,728	412,268,828	4,122,688	(824,538)	(1,163,304)	1,067,423	1,067,423
2038-39	472,481,063		472,481,063	421,533,163	4,215,332	(843,066)	(1,189,445)	1,091,410	1,091,410
2039-40	481,930,684		481,930,684	430,982,784	4,309,828	(861,966)	(1,216,109)	1,115,876	1,115,876
2040-41	491,569,298		491,569,298	440,621,398	4,406,214	(881,243)	(1,243,307)	1,140,832	1,140,832
2041-42	501,400,684		501,400,684	450,452,784	4,504,528	(900,906)	(1,271,048)	1,166,287	1,166,287
2042-43	511,428,697		511,428,697	460,480,797	4,604,808	(920,962)	(1,299,344)	1,192,251	1,192,251
2043-44	521,657,271		521,657,271	470,709,371	4,707,094	(941,419)	(1,328,206)	1,218,734	1,218,734
2044-45	532,090,417		532,090,417	481,142,517	4,811,425	(962,285)	(1,357,646)	1,245,747	1,245,747
2045-46	542,732,225		542,732,225	491,784,325	4,917,843	(983,569)	(1,387,674)	1,273,300	1,273,300
2046-47	553,586,870		553,586,870	502,638,970	5,026,390	(1,005,278)	(1,418,303)	1,301,405	1,301,405
2047-48	564,658,607		564,658,607	513,710,707	5,137,107	(1,027,421)	(1,449,544)	1,330,071	1,330,071
2048-49	575,951,779		575,951,779	525,003,879	5,250,039	(1,050,008)	(1,481,410)	1,359,311	1,359,311
2049-50	587,470,815		587,470,815	536,522,915	5,365,229	(1,073,046)	(1,513,913)	1,389,135	1,389,135
2050-51	599,220,231		599,220,231	548,272,331	5,482,723	(1,096,545)	(1,547,067)	1,419,556	1,419,556
2051-52	611,204,636		611,204,636	560,256,736	5,602,567	(1,120,513)	(1,580,883)	1,450,585	1,450,585

Tax Increment Projections — **Exhibit 10E**

Southern California Logistics Airport Authority - Apple Valley Area

Fiscal Year	Total Secured & Unsecured Values 2.00%	Increased Value Due to Sales	Total Assessed Value	Incremental Assessed Value	Estimated Gross Tax Increment 1%	Low & Moderate Income Housing Set-Aside 20%	Pass Through Payments 26.38%	Net Revenue to Member Jurisdiction 50%	Net Revenue to SCLA 50%
BY	**436,031,300**								
2007-08	1,019,913,300	19,244,717	1,039,158,017	603,126,717	6,031,267	(1,206,253)	(1,591,076)	1,616,969	1,616,969
2008-09	1,059,941,177	0	1,059,941,177	623,909,877	6,239,099	(1,247,820)	(1,645,902)	1,672,688	1,672,688
2009-10	1,081,140,001		1,081,140,001	645,108,701	6,451,087	(1,290,217)	(1,701,826)	1,729,522	1,729,522
2010-11	1,102,762,801		1,102,762,801	666,731,501	6,667,315	(1,333,463)	(1,758,868)	1,787,492	1,787,492
2011-12	1,124,818,057		1,124,818,057	688,786,757	6,887,868	(1,377,574)	(1,817,051)	1,846,622	1,846,622
2012-13	1,147,314,418		1,147,314,418	711,283,118	7,112,831	(1,422,566)	(1,876,397)	1,906,934	1,906,934
2013-14	1,170,260,706		1,170,260,706	734,229,406	7,342,294	(1,468,459)	(1,936,930)	1,968,452	1,968,452
2014-15	1,193,665,921		1,193,665,921	757,634,621	7,576,346	(1,515,269)	(1,998,674)	2,031,201	2,031,201
2015-16	1,217,539,239		1,217,539,239	781,507,939	7,815,079	(1,563,016)	(2,061,653)	2,095,205	2,095,205
2016-17	1,241,890,024		1,241,890,024	805,858,724	8,058,587	(1,611,717)	(2,125,892)	2,160,489	2,160,489
2017-18	1,266,727,824		1,266,727,824	830,696,524	8,306,965	(1,661,393)	(2,191,415)	2,227,079	2,227,079
2018-19	1,292,062,381		1,292,062,381	856,031,081	8,560,311	(1,712,062)	(2,258,249)	2,295,000	2,295,000
2019-20	1,317,903,628		1,317,903,628	881,872,328	8,818,723	(1,763,745)	(2,326,419)	2,364,280	2,364,280
2020-21	1,344,261,701		1,344,261,701	908,230,401	9,082,304	(1,816,461)	(2,395,953)	2,434,945	2,434,945
2021-22	1,371,146,935		1,371,146,935	935,115,635	9,351,156	(1,870,231)	(2,466,877)	2,507,024	2,507,024
2022-23	1,398,569,874		1,398,569,874	962,538,574	9,625,386	(1,925,077)	(2,539,220)	2,580,544	2,580,544
2023-24	1,426,541,271		1,426,541,271	990,509,971	9,905,100	(1,981,020)	(2,613,010)	2,655,535	2,655,535
2024-25	1,455,072,096		1,455,072,096	1,019,040,796	10,190,408	(2,038,082)	(2,688,276)	2,732,025	2,732,025
2025-26	1,484,173,538		1,484,173,538	1,048,142,238	10,481,422	(2,096,284)	(2,765,047)	2,810,046	2,810,046
2026-27	1,513,857,009		1,513,857,009	1,077,825,709	10,778,257	(2,155,651)	(2,843,353)	2,889,626	2,889,626
2027-28	1,544,134,149		1,544,134,149	1,108,102,849	11,081,028	(2,216,206)	(2,923,225)	2,970,799	2,970,799
2028-29	1,575,016,832		1,575,016,832	1,138,985,532	11,389,855	(2,277,971)	(3,004,695)	3,053,595	3,053,595
2029-30	1,606,517,169		1,606,517,169	1,170,485,869	11,704,859	(2,340,972)	(3,087,795)	3,138,046	3,138,046
2030-31	1,638,647,512		1,638,647,512	1,202,616,212	12,026,162	(2,405,232)	(3,172,556)	3,224,187	3,224,187
2031-32	1,671,420,463		1,671,420,463	1,235,389,163	12,353,892	(2,470,778)	(3,259,012)	3,312,050	3,312,050
2032-33	1,704,848,872		1,704,848,872	1,268,817,572	12,688,176	(2,537,635)	(3,347,198)	3,401,671	3,401,671
2033-34	1,738,945,849		1,738,945,849	1,302,914,549	13,029,145	(2,605,829)	(3,437,147)	3,493,085	3,493,085
2034-35	1,773,724,766		1,773,724,766	1,337,693,466	13,376,935	(2,675,387)	(3,528,896)	3,586,326	3,586,326
2035-36	1,809,199,262		1,809,199,262	1,373,167,962	13,731,680	(2,746,336)	(3,622,479)	3,681,432	3,681,432
2036-37	1,845,383,247		1,845,383,247	1,409,351,947	14,093,519	(2,818,704)	(3,717,934)	3,778,441	3,778,441
2037-38	1,882,290,912		1,882,290,912	1,446,259,612	14,462,596	(2,892,519)	(3,815,298)	3,877,389	3,877,389
2038-39	1,919,936,730		1,919,936,730	1,483,905,430	14,839,054	(2,967,811)	(3,914,609)	3,978,317	3,978,317
2039-40	1,958,335,465		1,958,335,465	1,522,304,165	15,223,042	(3,044,608)	(4,015,907)	4,081,263	4,081,263
2040-41	1,997,502,174		1,997,502,174	1,561,470,874	15,614,709	(3,122,942)	(4,119,231)	4,186,268	4,186,268
2041-42	2,037,452,217		2,037,452,217	1,601,420,917	16,014,209	(3,202,842)	(4,224,621)	4,293,373	4,293,373
2042-43	2,078,201,262		2,078,201,262	1,642,169,962	16,421,700	(3,284,340)	(4,332,118)	4,402,621	4,402,621
2043-44	2,119,765,287		2,119,765,287	1,683,733,987	16,837,340	(3,367,468)	(4,441,766)	4,514,053	4,514,053
2044-45	2,162,160,593		2,162,160,593	1,726,129,293	17,261,293	(3,452,259)	(4,553,607)	4,627,714	4,627,714
2045-46	2,205,403,805		2,205,403,805	1,769,372,505	17,693,725	(3,538,745)	(4,667,685)	4,743,648	4,743,648
2046-47	2,249,511,881		2,249,511,881	1,813,480,581	18,134,806	(3,626,961)	(4,784,044)	4,861,901	4,861,901
2047-48	2,294,502,118		2,294,502,118	1,858,470,818	18,584,708	(3,716,942)	(4,902,730)	4,982,518	4,982,518
2048-49	2,340,392,161		2,340,392,161	1,904,360,861	19,043,609	(3,808,722)	(5,023,790)	5,105,548	5,105,548
2049-50	2,387,200,004		2,387,200,004	1,951,168,704	19,511,687	(3,902,337)	(5,147,271)	5,231,039	5,231,039
2050-51	2,434,944,004		2,434,944,004	1,998,912,704	19,989,127	(3,997,825)	(5,273,222)	5,359,040	5,359,040
2051-52	2,483,642,884		2,483,642,884	2,047,611,584	20,476,116	(4,095,223)	(5,401,692)	5,489,600	5,489,600

Tax Increment Projections **Exhibit 10F**

Southern California Logistics Airport Authority - Hesperia Area

Fiscal Year	Total Secured & Unsecured Values 2.00%	Increased Value Due to Sales	Total Assessed Value	Incremental Assessed Value	Estimated Gross Tax Increment 1%	Low & Moderate Income Housing Set-Aside 20%	Pass Through Payments 30.10%	Net Revenue to Member Jurisdiction 50%	Net Revenue to SCLA 50%
BY	**122,113,900**								
2007-08	290,624,800	7,636,403	298,261,203	176,147,303	1,761,473	(352,295)	(530,219)	439,480	439,480
2008-09	304,226,427	0	304,226,427	182,112,527	1,821,125	(364,225)	(548,175)	454,363	454,363
2009-10	310,310,956		310,310,956	188,197,056	1,881,971	(376,394)	(566,490)	469,543	469,543
2010-11	316,517,175		316,517,175	194,403,275	1,944,033	(388,807)	(585,171)	485,027	485,027
2011-12	322,847,518		322,847,518	200,733,618	2,007,336	(401,467)	(604,226)	500,821	500,821
2012-13	329,304,469		329,304,469	207,190,569	2,071,906	(414,381)	(623,662)	516,931	516,931
2013-14	335,890,558		335,890,558	213,776,658	2,137,767	(427,553)	(643,487)	533,363	533,363
2014-15	342,608,369		342,608,369	220,494,469	2,204,945	(440,989)	(663,708)	550,124	550,124
2015-16	349,460,536		349,460,536	227,346,636	2,273,466	(454,693)	(684,334)	567,220	567,220
2016-17	356,449,747		356,449,747	234,335,847	2,343,358	(468,672)	(705,372)	584,657	584,657
2017-18	363,578,742		363,578,742	241,464,842	2,414,648	(482,930)	(726,831)	602,444	602,444
2018-19	370,850,317		370,850,317	248,736,417	2,487,364	(497,473)	(748,719)	620,586	620,586
2019-20	378,267,323		378,267,323	256,153,423	2,561,534	(512,307)	(771,045)	639,091	639,091
2020-21	385,832,670		385,832,670	263,718,770	2,637,188	(527,438)	(793,817)	657,967	657,967
2021-22	393,549,323		393,549,323	271,435,423	2,714,354	(542,871)	(817,045)	677,219	677,219
2022-23	401,420,310		401,420,310	279,306,410	2,793,064	(558,613)	(840,737)	696,857	696,857
2023-24	409,448,716		409,448,716	287,334,816	2,873,348	(574,670)	(864,903)	716,888	716,888
2024-25	417,637,690		417,637,690	295,523,790	2,955,238	(591,048)	(889,553)	737,319	737,319
2025-26	425,990,444		425,990,444	303,876,544	3,038,765	(607,753)	(914,696)	758,158	758,158
2026-27	434,510,253		434,510,253	312,396,353	3,123,964	(624,793)	(940,341)	779,415	779,415
2027-28	443,200,458		443,200,458	321,086,558	3,210,866	(642,173)	(966,499)	801,097	801,097
2028-29	452,064,467		452,064,467	329,950,567	3,299,506	(659,901)	(993,181)	823,212	823,212
2029-30	461,105,756		461,105,756	338,991,856	3,389,919	(677,984)	(1,020,396)	845,770	845,770
2030-31	470,327,872		470,327,872	348,213,972	3,482,140	(696,428)	(1,048,155)	868,778	868,778
2031-32	479,734,429		479,734,429	357,620,529	3,576,205	(715,241)	(1,076,470)	892,247	892,247
2032-33	489,329,118		489,329,118	367,215,218	3,672,152	(734,430)	(1,105,351)	916,186	916,186
2033-34	499,115,700		499,115,700	377,001,800	3,770,018	(754,004)	(1,134,809)	940,603	940,603
2034-35	509,098,014		509,098,014	386,984,114	3,869,841	(773,968)	(1,164,857)	965,508	965,508
2035-36	519,279,974		519,279,974	397,166,074	3,971,661	(794,332)	(1,195,505)	990,912	990,912
2036-37	529,665,574		529,665,574	407,551,674	4,075,517	(815,103)	(1,226,767)	1,016,823	1,016,823
2037-38	540,258,885		540,258,885	418,144,985	4,181,450	(836,290)	(1,258,654)	1,043,253	1,043,253
2038-39	551,064,063		551,064,063	428,950,163	4,289,502	(857,900)	(1,291,178)	1,070,211	1,070,211
2039-40	562,085,344		562,085,344	439,971,444	4,399,714	(879,943)	(1,324,353)	1,097,709	1,097,709
2040-41	573,327,051		573,327,051	451,213,151	4,512,132	(902,426)	(1,358,192)	1,125,757	1,125,757
2041-42	584,793,592		584,793,592	462,679,692	4,626,797	(925,359)	(1,392,707)	1,154,365	1,154,365
2042-43	596,489,464		596,489,464	474,375,564	4,743,756	(948,751)	(1,427,913)	1,183,546	1,183,546
2043-44	608,419,253		608,419,253	486,305,353	4,863,054	(972,611)	(1,463,823)	1,213,310	1,213,310
2044-45	620,587,638		620,587,638	498,473,738	4,984,737	(996,947)	(1,500,450)	1,243,670	1,243,670
2045-46	632,999,391		632,999,391	510,885,491	5,108,855	(1,021,771)	(1,537,811)	1,274,636	1,274,636
2046-47	645,659,379		645,659,379	523,545,479	5,235,455	(1,047,091)	(1,575,919)	1,306,223	1,306,223
2047-48	658,572,566		658,572,566	536,458,666	5,364,587	(1,072,917)	(1,614,789)	1,338,440	1,338,440
2048-49	671,744,018		671,744,018	549,630,118	5,496,301	(1,099,260)	(1,654,436)	1,371,303	1,371,303
2049-50	685,178,898		685,178,898	563,064,998	5,630,650	(1,126,130)	(1,694,876)	1,404,822	1,404,822
2050-51	698,882,476		698,882,476	576,768,576	5,767,686	(1,153,537)	(1,736,125)	1,439,012	1,439,012
2051-52	712,860,126		712,860,126	590,746,226	5,907,462	(1,181,492)	(1,778,199)	1,473,885	1,473,885

Tax Increment Projections — **Exhibit 10G**

Southern California Logistics Airport Authority - Adelanto Amendment IV Area

Fiscal Year	Total Secured & Unsecured Values 2.00%	Increased Value Due to Sales	Total Assessed Value	Incremental Assessed Value	Estimated Gross Tax Increment 1%	Low & Moderate Income Housing Set-Aside 20%	Statutory Pass Through Payments	Net Revenue to Member Jurisdiction 50%	Net Revenue to SCLA 50%
BY	**14,452,400**								
2007-08	68,960,900	1,028,559	69,989,459	55,537,059	555,371	(111,074)	(111,074)	166,611	166,611
2008-09	71,389,248	0	71,389,248	56,936,848	569,368	(113,874)	(113,874)	170,811	170,811
2009-10	72,817,033		72,817,033	58,364,633	583,646	(116,729)	(116,729)	175,094	175,094
2010-11	74,273,374		74,273,374	59,820,974	598,210	(119,642)	(122,089)	178,240	178,240
2011-12	75,758,841		75,758,841	61,306,441	613,064	(122,613)	(127,555)	181,448	181,448
2012-13	77,274,018		77,274,018	62,821,618	628,216	(125,643)	(133,131)	184,721	184,721
2013-14	78,819,498		78,819,498	64,367,098	643,671	(128,734)	(138,818)	188,059	188,059
2014-15	80,395,888		80,395,888	65,943,488	659,435	(131,887)	(144,619)	191,464	191,464
2015-16	82,003,806		82,003,806	67,551,406	675,514	(135,103)	(150,537)	194,937	194,937
2016-17	83,643,882		83,643,882	69,191,482	691,915	(138,383)	(156,572)	198,480	198,480
2017-18	85,316,760		85,316,760	70,864,360	708,644	(141,729)	(162,728)	202,093	202,093
2018-19	87,023,095		87,023,095	72,570,695	725,707	(145,141)	(169,008)	205,779	205,779
2019-20	88,763,557		88,763,557	74,311,157	743,112	(148,622)	(175,412)	209,538	209,538
2020-21	90,538,828		90,538,828	76,086,428	760,864	(152,173)	(181,945)	213,373	213,373
2021-22	92,349,605		92,349,605	77,897,205	778,972	(155,794)	(188,609)	217,284	217,284
2022-23	94,196,597		94,196,597	79,744,197	797,442	(159,488)	(195,406)	221,274	221,274
2023-24	96,080,529		96,080,529	81,628,129	816,281	(163,256)	(202,339)	225,343	225,343
2024-25	98,002,139		98,002,139	83,549,739	835,497	(167,099)	(209,410)	229,494	229,494
2025-26	99,962,182		99,962,182	85,509,782	855,098	(171,020)	(216,623)	233,727	233,727
2026-27	101,961,426		101,961,426	87,509,026	875,090	(175,018)	(223,981)	238,046	238,046
2027-28	104,000,654		104,000,654	89,548,254	895,483	(179,097)	(231,485)	242,451	242,451
2028-29	106,080,667		106,080,667	91,628,267	916,283	(183,257)	(239,139)	246,943	246,943
2029-30	108,202,281		108,202,281	93,749,881	937,499	(187,500)	(246,947)	251,526	251,526
2030-31	110,366,326		110,366,326	95,913,926	959,139	(191,828)	(257,334)	254,989	254,989
2031-32	112,573,653		112,573,653	98,121,253	981,213	(196,243)	(267,930)	258,520	258,520
2032-33	114,825,126		114,825,126	100,372,726	1,003,727	(200,745)	(278,737)	262,123	262,123
2033-34	117,121,629		117,121,629	102,669,229	1,026,692	(205,338)	(289,760)	265,797	265,797
2034-35	119,464,061		119,464,061	105,011,661	1,050,117	(210,023)	(301,004)	269,545	269,545
2035-36	121,853,342		121,853,342	107,400,942	1,074,009	(214,802)	(312,472)	273,368	273,368
2036-37	124,290,409		124,290,409	109,838,009	1,098,380	(219,676)	(324,170)	277,267	277,267
2037-38	126,776,217		126,776,217	112,323,817	1,123,238	(224,648)	(336,102)	281,244	281,244
2038-39	129,311,742		129,311,742	114,859,342	1,148,593	(229,719)	(348,272)	285,301	285,301
2039-40	131,897,977		131,897,977	117,445,577	1,174,456	(234,891)	(360,686)	289,439	289,439
2040-41	134,535,936		134,535,936	120,083,536	1,200,835	(240,167)	(373,349)	293,660	293,660
2041-42	137,226,655		137,226,655	122,774,255	1,227,743	(245,549)	(386,264)	297,965	297,965
2042-43	139,971,188		139,971,188	125,518,788	1,255,188	(251,038)	(399,438)	302,356	302,356
2043-44	142,770,612		142,770,612	128,318,212	1,283,182	(256,636)	(412,875)	306,835	306,835
2044-45	145,626,024		145,626,024	131,173,624	1,311,736	(262,347)	(426,581)	311,404	311,404
2045-46	148,538,544		148,538,544	134,086,144	1,340,861	(268,172)	(440,561)	316,064	316,064
2046-47	151,509,315		151,509,315	137,056,915	1,370,569	(274,114)	(454,821)	320,817	320,817
2047-48	154,539,502		154,539,502	140,087,102	1,400,871	(280,174)	(469,366)	325,666	325,666
2048-49	157,630,292		157,630,292	143,177,892	1,431,779	(286,356)	(484,201)	330,611	330,611
2049-50	160,782,897		160,782,897	146,330,497	1,463,305	(292,661)	(499,334)	335,655	335,655
2050-51	163,998,555		163,998,555	149,546,155	1,495,462	(299,092)	(514,769)	340,800	340,800
2051-52	167,278,526		167,278,526	152,826,126	1,528,261	(305,652)	(530,513)	346,048	346,048

Tax Increment Projections — **Exhibit 10H**

Southern California Logistics Airport Authority - San Bernardino County Amendment IV Area

Fiscal Year	Total Secured & Unsecured Values 2.00%	Increased Value Due to Sales	Total Assessed Value	Incremental Assessed Value	Estimated Gross Tax Increment 1%	Low & Moderate Income Housing Set-Aside 20%	Statutory Pass Through Payments	Net Revenue to Member Jurisdiction 50%	Net Revenue to SCLA 50%
BY	**9,132,400**								
2007-08	23,275,500	210,519	23,486,019	14,353,619	143,536	(28,707)	(28,707)	43,061	43,061
2008-09	23,955,739	0	23,955,739	14,823,339	148,233	(29,647)	(29,647)	44,470	44,470
2009-10	24,434,854		24,434,854	15,302,454	153,025	(30,605)	(30,605)	45,907	45,907
2010-11	24,923,551		24,923,551	15,791,151	157,912	(31,582)	(32,403)	46,963	46,963
2011-12	25,422,022		25,422,022	16,289,622	162,896	(32,579)	(34,238)	48,040	48,040
2012-13	25,930,463		25,930,463	16,798,063	167,981	(33,596)	(36,109)	49,138	49,138
2013-14	26,449,072		26,449,072	17,316,672	173,167	(34,633)	(38,017)	50,258	50,258
2014-15	26,978,053		26,978,053	17,845,653	178,457	(35,691)	(39,964)	51,401	51,401
2015-16	27,517,614		27,517,614	18,385,214	183,852	(36,770)	(41,949)	52,566	52,566
2016-17	28,067,967		28,067,967	18,935,567	189,356	(37,871)	(43,975)	53,755	53,755
2017-18	28,629,326		28,629,326	19,496,926	194,969	(38,994)	(46,041)	54,967	54,967
2018-19	29,201,913		29,201,913	20,069,513	200,695	(40,139)	(48,148)	56,204	56,204
2019-20	29,785,951		29,785,951	20,653,551	206,536	(41,307)	(50,297)	57,466	57,466
2020-21	30,381,670		30,381,670	21,249,270	212,493	(42,499)	(52,489)	58,752	58,752
2021-22	30,989,303		30,989,303	21,856,903	218,569	(43,714)	(54,725)	60,065	60,065
2022-23	31,609,089		31,609,089	22,476,689	224,767	(44,953)	(57,006)	61,404	61,404
2023-24	32,241,271		32,241,271	23,108,871	231,089	(46,218)	(59,333)	62,769	62,769
2024-25	32,886,097		32,886,097	23,753,697	237,537	(47,507)	(61,705)	64,162	64,162
2025-26	33,543,819		33,543,819	24,411,419	244,114	(48,823)	(64,126)	65,583	65,583
2026-27	34,214,695		34,214,695	25,082,295	250,823	(50,165)	(66,595)	67,032	67,032
2027-28	34,898,989		34,898,989	25,766,589	257,666	(51,533)	(69,113)	68,510	68,510
2028-29	35,596,969		35,596,969	26,464,569	264,646	(52,929)	(71,681)	70,018	70,018
2029-30	36,308,908		36,308,908	27,176,508	271,765	(54,353)	(74,301)	71,555	71,555
2030-31	37,035,086		37,035,086	27,902,686	279,027	(55,805)	(77,787)	72,717	72,717
2031-32	37,775,788		37,775,788	28,643,388	286,434	(57,287)	(81,342)	73,902	73,902
2032-33	38,531,304		38,531,304	29,398,904	293,989	(58,798)	(84,969)	75,111	75,111
2033-34	39,301,930		39,301,930	30,169,530	301,695	(60,339)	(88,668)	76,344	76,344
2034-35	40,087,968		40,087,968	30,955,568	309,556	(61,911)	(92,441)	77,602	77,602
2035-36	40,889,728		40,889,728	31,757,328	317,573	(63,515)	(96,289)	78,885	78,885
2036-37	41,707,522		41,707,522	32,575,122	325,751	(65,150)	(100,215)	80,193	80,193
2037-38	42,541,673		42,541,673	33,409,273	334,093	(66,819)	(104,219)	81,528	81,528
2038-39	43,392,506		43,392,506	34,260,106	342,601	(68,520)	(108,303)	82,889	82,889
2039-40	44,260,356		44,260,356	35,127,956	351,280	(70,256)	(112,468)	84,278	84,278
2040-41	45,145,563		45,145,563	36,013,163	360,132	(72,026)	(116,717)	85,694	85,694
2041-42	46,048,475		46,048,475	36,916,075	369,161	(73,832)	(121,051)	87,139	87,139
2042-43	46,969,444		46,969,444	37,837,044	378,370	(75,674)	(125,472)	88,612	88,612
2043-44	47,908,833		47,908,833	38,776,433	387,764	(77,553)	(129,981)	90,115	90,115
2044-45	48,867,010		48,867,010	39,734,610	397,346	(79,469)	(134,580)	91,648	91,648
2045-46	49,844,350		49,844,350	40,711,950	407,119	(81,424)	(139,272)	93,212	93,212
2046-47	50,841,237		50,841,237	41,708,837	417,088	(83,418)	(144,057)	94,807	94,807
2047-48	51,858,061		51,858,061	42,725,661	427,257	(85,451)	(148,937)	96,434	96,434
2048-49	52,895,223		52,895,223	43,762,823	437,628	(87,526)	(153,916)	98,093	98,093
2049-50	53,953,127		53,953,127	44,820,727	448,207	(89,641)	(158,994)	99,786	99,786
2050-51	55,032,190		55,032,190	45,899,790	458,998	(91,800)	(164,173)	101,513	101,513
2051-52	56,132,834		56,132,834	47,000,434	470,004	(94,001)	(169,456)	103,274	103,274

Tax Increment Projections — **Exhibit 10I**

Southern California Logistics Airport Authority - Victorville Amendment IV Area

Fiscal Year	Total Secured & Unsecured Values 2.00%	Increased Value Due to Sales	Total Assessed Value	Incremental Assessed Value	Estimated Gross Tax Increment 1%	Low & Moderate Income Housing Set-Aside 20%	Statutory Pass Through Payments	Net Revenue to Member Jurisdiction 50%	Net Revenue to SCLA 50%
BY	**1,372,000**								
2007-08	4,206,900	33,144	4,240,044	2,868,044	28,680	(5,736)	(5,736)	8,604	8,604
2008-09	4,324,845	0	4,324,845	2,952,845	29,528	(5,906)	(5,906)	8,859	8,859
2009-10	4,411,342		4,411,342	3,039,342	30,393	(6,079)	(6,079)	9,118	9,118
2010-11	4,499,569		4,499,569	3,127,569	31,276	(6,255)	(6,403)	9,309	9,309
2011-12	4,589,560		4,589,560	3,217,560	32,176	(6,435)	(6,735)	9,503	9,503
2012-13	4,681,351		4,681,351	3,309,351	33,094	(6,619)	(7,072)	9,701	9,701
2013-14	4,774,978		4,774,978	3,402,978	34,030	(6,806)	(7,417)	9,903	9,903
2014-15	4,870,478		4,870,478	3,498,478	34,985	(6,997)	(7,768)	10,110	10,110
2015-16	4,967,887		4,967,887	3,595,887	35,959	(7,192)	(8,127)	10,320	10,320
2016-17	5,067,245		5,067,245	3,695,245	36,952	(7,390)	(8,492)	10,535	10,535
2017-18	5,168,590		5,168,590	3,796,590	37,966	(7,593)	(8,865)	10,754	10,754
2018-19	5,271,962		5,271,962	3,899,962	39,000	(7,800)	(9,246)	10,977	10,977
2019-20	5,377,401		5,377,401	4,005,401	40,054	(8,011)	(9,634)	11,205	11,205
2020-21	5,484,949		5,484,949	4,112,949	41,129	(8,226)	(10,030)	11,437	11,437
2021-22	5,594,648		5,594,648	4,222,648	42,226	(8,445)	(10,433)	11,674	11,674
2022-23	5,706,541		5,706,541	4,334,541	43,345	(8,669)	(10,845)	11,916	11,916
2023-24	5,820,672		5,820,672	4,448,672	44,487	(8,897)	(11,265)	12,162	12,162
2024-25	5,937,085		5,937,085	4,565,085	45,651	(9,130)	(11,693)	12,414	12,414
2025-26	6,055,827		6,055,827	4,683,827	46,838	(9,368)	(12,130)	12,670	12,670
2026-27	6,176,943		6,176,943	4,804,943	48,049	(9,610)	(12,576)	12,932	12,932
2027-28	6,300,482		6,300,482	4,928,482	49,285	(9,857)	(13,031)	13,199	13,199
2028-29	6,426,492		6,426,492	5,054,492	50,545	(10,109)	(13,494)	13,471	13,471
2029-30	6,555,022		6,555,022	5,183,022	51,830	(10,366)	(13,967)	13,748	13,748
2030-31	6,686,122		6,686,122	5,314,122	53,141	(10,628)	(14,597)	13,958	13,958
2031-32	6,819,845		6,819,845	5,447,845	54,478	(10,896)	(15,239)	14,172	14,172
2032-33	6,956,242		6,956,242	5,584,242	55,842	(11,168)	(15,893)	14,390	14,390
2033-34	7,095,366		7,095,366	5,723,366	57,234	(11,447)	(16,561)	14,613	14,613
2034-35	7,237,274		7,237,274	5,865,274	58,653	(11,731)	(17,242)	14,840	14,840
2035-36	7,382,019		7,382,019	6,010,019	60,100	(12,020)	(17,937)	15,072	15,072
2036-37	7,529,660		7,529,660	6,157,660	61,577	(12,315)	(18,646)	15,308	15,308
2037-38	7,680,253		7,680,253	6,308,253	63,083	(12,617)	(19,369)	15,549	15,549
2038-39	7,833,858		7,833,858	6,461,858	64,619	(12,924)	(20,106)	15,795	15,795
2039-40	7,990,535		7,990,535	6,618,535	66,185	(13,237)	(20,858)	16,045	16,045
2040-41	8,150,346		8,150,346	6,778,346	67,783	(13,557)	(21,625)	16,301	16,301
2041-42	8,313,353		8,313,353	6,941,353	69,414	(13,883)	(22,407)	16,562	16,562
2042-43	8,479,620		8,479,620	7,107,620	71,076	(14,215)	(23,205)	16,828	16,828
2043-44	8,649,212		8,649,212	7,277,212	72,772	(14,554)	(24,020)	17,099	17,099
2044-45	8,822,196		8,822,196	7,450,196	74,502	(14,900)	(24,850)	17,376	17,376
2045-46	8,998,640		8,998,640	7,626,640	76,266	(15,253)	(25,697)	17,658	17,658
2046-47	9,178,613		9,178,613	7,806,613	78,066	(15,613)	(26,561)	17,946	17,946
2047-48	9,362,185		9,362,185	7,990,185	79,902	(15,980)	(27,442)	18,240	18,240
2048-49	9,549,429		9,549,429	8,177,429	81,774	(16,355)	(28,341)	18,539	18,539
2049-50	9,740,418		9,740,418	8,368,418	83,684	(16,737)	(29,257)	18,845	18,845
2050-51	9,935,226		9,935,226	8,563,226	85,632	(17,126)	(30,192)	19,157	19,157
2051-52	10,133,930		10,133,930	8,761,930	87,619	(17,524)	(31,146)	19,475	19,475

(this page intentionally left blank)

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") and The Bank of New York Trust Company, N.A., as Trustee and Dissemination Agent (the "Trustee" and "Dissemination Agent") in connection with the issuance by the Authority of its $42,000,000 Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2007 (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of December 1, 2007 (the "Indenture"), by and between the Authority and the Trustee. The Authority, 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 Authority, 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 Authority 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 Authority or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Dissemination Agent and the Trustee from time to time.

"Dissemination Agent" shall mean The Bank of New York Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority 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.

"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 Authority 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, 2008, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Reports may be provided in electronic format to each Repository and may be provided through the services of a "Central Post Office" approved by the Securities and Exchange Commission. 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 Authority 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 Authority'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 Authority 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 Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority 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 Authority 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 Authority's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Authority 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 Authority'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 "PLEDGED TAX REVENUES--Assessed Valuations and Tax Increment Revenues," "-Assessment Appeals History" 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Authority has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Authority 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 Authority determines that the Listed Event would not be material under applicable federal securities laws, the Authority 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 Authority 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 Authority'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 Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Authority 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 Authority. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority 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 The Bank of New York Trust Company, N.A.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Trustee may amend this Disclosure Agreement (and the Dissemination Agent and the Trustee shall agree to any amendment so requested by the Authority, 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 Authority 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 Authority. 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority, the Trustee or the Dissemination Agent 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 Authority 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 willful 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 Authority 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 Authority:	Southern California Logistics Airport Authority P.O. Box 5001 Victorville, California 92392 Attention: Executive Director
To the Trustee and Dissemination Agent:	The Bank of New York Trust Company, N.A. 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 Authority, 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: December 12, 2007

SOUTHERN CALIFORNIA LOGISTICS
AIRPORT AUTHORITY

By______________________________________

Executive Director

THE BANK OF NEW YORK TRUST COMPANY,
N.A. 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:	$42,000,000 Southern California Logistics Airport Authority Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2007
Date of Issuance:	December 12, 2007

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 December 12, 2007 with respect to the Bonds. [The Authority anticipates that the Annual Report will be filed by _____________.]

Dated: _______________

THE BANK OF NEW YORK TRUST COMPANY, N.A., on behalf of Authority

cc: Authority

APPENDIX F

AUDITED FINANCIAL STATEMENT OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(this page intentionally left blank)

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2006

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Basic Financial Statements

Year ended June 30, 2006

TABLE OF CONTENTS

Board of Directors
Southern California Logistics Airport Authority
Victorville, California

Independent Auditors' Report

We have audited the accompanying basic financial statements of the Southern California Logistics Airport Authority (SCLAA), a component unit of the City of Victorville, as of and for the year ended June 30, 2006, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 respective financial position of the Southern California Logistics Airport Authority, as of June 30, 2006 and the respective changes in financial position and cash flows of the SCLAA for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Southern California Logistics Airport Authority has not presented *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2006 on our consideration of the Southern California Logistic Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Irvine, California
November 2, 2006

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Net Assets

June 30, 2006

Assets	
Current assets:	
Pooled cash and investments (note 2)	$ 41,851,792
Investments with fiscal agent (note 2)	39,023,248
Accounts receivable	264,403
Interest receivable	583,171
Notes receivable (note 6)	29,247,513
Due from other governments	3,155,234
Prepaid items	111,796
Total current assets	114,237,157
Noncurrent assets:	
Net depreciable capital assets (note 3)	85,255,583
Land (note 3)	6,053,430
Construction in progress (note 3)	8,051,379
Other assets	91,200
Total noncurrent assets	99,451,592
Total assets	213,688,749
Liabilities	
Current liabilities:	
Accounts payable	2,581,732
Deposits payable	1,910,647
Tax allocation bonds payable - current (note 4)	5,441,290
Total current liabilities	9,933,669
Current liabilities payable from restricted assets:	
Interest payable	638,473
Total current liabilities payable from restricted assets:	638,473
Noncurrent liabilities (note 4):	
Tax allocation bonds payable - non-current	144,340,740
Notes payable	20,000,000
Total noncurrent liabilities	164,340,740
Total liabilities	174,912,882
Net Assets	
Net assets:	
Invested in capital assets, net of related debt	(11,398,390)
Unrestricted	50,174,257
Total net assets	$ 38,775,867

See accompanying notes to the basic financial statements.

(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) Basic Financial Statements

The basic financial statements are comprised of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Cash Flows and the notes to the basic financial statements.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The SCLAA is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The SCLAA utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Internal activity has been eliminated in the accompanying financial statements.

The SCLAA applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB’s) of the Committee on Accounting Procedure.

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

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation, (Continued)

The SCLAA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with airport and rental operations. The principal operating revenues of the SCLAA are federal grants and charges to customers for services. Operating expenses include general and administrative costs, cost of purchased water and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(d) 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 basic 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.

(e) 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.

(f) 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.

(g) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. SCLAA capitalizes all assets with a historical cost of at least $5,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

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

(g) Capital Assets, (Continued)

Depreciation is computed utilizing the straight-line method over the following useful lives:

Buildings and improvements	10-50 years
Furniture and equipment	3-7 years
Computer and communications	5 years
Vehicles	8-15 years
Sewer	50-60 years
Storm drains	20-100 years
Water lines	70-80 years
Runways and roads	20-40 years

(2) Cash and Investments

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$41,851,792
Cash and investments held by bond trustee	39,023,248
Total cash and investments	$80,875,040

Cash and investments as of June 30, 2006 consist of the following:

Deposits with financial institutions	$ 349,604
Investments	80,525,436
Total cash and investments	$80,875,040

Investment in State Investment Pool

The SCLAA has not adopted an investment policy separate from that of the City of Victorville. SCLAA is a voluntary participant in the Local Agency Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer ofo the State of California. The fair value of SCLAA's investment in this pool is reported in the accompanying financial statements at amounts based upon SCLAA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

(2) Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the SCLAA's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	180 days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Certificate of Deposit	None	None	None
Local Agency Investment Fund	None	None	None
California Common Law Trust Shares	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the SCLAA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

(2) Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the SCLAA's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

		Remaining Maturing (in Months)			
Investment Type	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State investment pool	$41,502,188	41,502,188	-	-	-
Held by bond trustee:					
Money market funds	39,023,248	39,023,248	-	-	-
Total	$80,525,436	80,525,436	-	-	-

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the SCLAA's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

			Rating as of Year End	
Investment Type	Total	Minimum Legal Rating	AAA	Not Rated
State investment pool	$41,502,188	N/A	-	41,502,188
Held by bond trustee:				
Money market funds	39,023,248	A	39,023,248	-
Total	$80,525,436		39,023,248	41,502,188

Concentration of Credit Risk

There are no investments in any one issuer (other than U.S Treasury securities, mutual funds, and investment pools) that represents 5% or more of total investments for the entire entity.

Custodial Credit Risk

The SCLAA does not have separate certificates of deposit or demand accounts held by bond trustee that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40). The SCLAA does not have direct investments in securities subject to disclosable custodial credit risk (as defined by GASB Statement No. 40).

(3) Capital Assets

The following is a summary of changes in capital assets for SCLAA at June 30, 2006:

	Balance at July 1, 2005 (as restated)(1)	Additions	Deletions	Balance at June 30, 2006
Buildings and improvements	$130,450,710	2,887,032	(1,875,000)	131,462,742
Equipment and furniture	2,102,042	528,897	-	2,630,939
Computer and communications	56,957	-	-	56,957
Vehicles	139,551	-	-	139,551
Infrastructure:				
Sewer	1,232,214	-	-	1,232,214
Storm drains	265,982	-	-	265,982
Water lines	2,446,063	-	-	2,446,063
Runways and roads	42,566,735	-	-	42,566,735
Total cost of depreciable capital assets	179,260,254	3,415,929	(1,875,000)	180,801,183
Less accumulated depreciation:				
Buildings and improvements	(75,761,508)	(2,735,553)	-	(78,497,061)
Equipment and furniture	(967,065)	(191,311)	-	(1,158,376)
Computer and communication	(39,326)	(5,877)	-	(45,203)
Vehicles	(139,551)	-	-	(139,551)
Infrastructure:				
Sewer	(309,935)	(15,078)	-	(325,013)
Storm drains	(265,982)	-	-	(265,982)
Water lines	(338,250)	(34,586)	-	(372,836)
Runways and roads	(13,680,568)	(1,061,010)	-	(14,741,578)
Total accumulated depreciation	(91,502,185)	(4,043,415)	-	(95,545,600)
Net depreciable capital assets	87,758,069	(627,486)	(1,875,000)	85,255,583
Capital assets not depreciated:				
Land	3,178,281	2,875,149	-	6,053,430
Construction in progress	1,705,510	6,345,869	-	8,051,379
Capital assets, net	$ 92,641,860	8,593,532	(1,875,000)	99,360,392

(1) The beginning balance has been increased by $1,875,000 to reflect the inclusion of a building owned by SCLAA that was previously unrecorded.

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is noted below:

	Balance at July 1, 2005	Additions	Retirements	Balance at June 30, 2006	Due Within One Year
Tax Allocation Bonds:					
2001 Tax Allocation Bonds	$ 13,560,000	-	(13,560,000)	-	-
Less: unamortized discount	(664,576)	-	664,576	-	-
2001 TABs Subtotal	12,895,424	-	(12,895,424)	-	-
2003 Tax Allocation Bonds	44,400,000	-	(44,400,000)	-	-
Less: unamortized discount	(1,554,240)	-	1,554,240	-	-
2003 TABs Subtotal	42,845,760	-	(42,845,760)	-	-
2005 Tax Allocation Bonds	42,185,000	-	(15,335,000)	26,850,000	625,000
Less: unamortized discount	(238,030)	-	91,579	(146,451)	(6,102)
2003 TABs Subtotal	41,946,970	-	15,243,421	26,703,549	61,898
2006 Tax Allocation Bonds (Non-housing bond)	-	62,780,000	-	62,780,000	2,225,000
Less: unamortized discount	-	(796,835)	-	(796,835)	(21,536)
2003 TABs Subtotal	-	61,983,165	-	61,983,165	2,203,464
2006 Tax Allocation Bonds (Housing Set-Aside)	-	16,855,000	-	16,855,000	595,000
Less: unamortized discount	-	(216,934)	-	(216,934)	(5,863)
2003 TABs Subtotal	-	16,638,066	-	16,638,066	589,137
2006 Tax Allocation Bonds	-	45,020,000	-	45,020,000	2,045,000
Less: unamortized discount	-	(562,750)	-	(562,750)	(15,209)
2003 TABs Subtotal	-	44,457,250	-	44,457,250	2,029,791
Notes Payable:					
2005 Taxable Industrial Development Revenue Notes	-	20,000,000	(20,000,000)	-	-
2006 Taxable Industrial Development Revenue Notes	-	30,000,000	(10,000,000)	20,000,000	-
Total	$97,688,154	173,078,481	(100,984,605)	169,782,030	5,441,290

(4) 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.

In the fiscal year ended June 30, 2006 these bonds have been defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing). The amount of bonds outstanding at June 30, 2006 is $0.

Tax Allocation Parity Bonds, Series 2003

In December 2003, the Southern California Logistics Airport Authority issued $45,120,000 principal amount of Tax Allocation Parity Bonds, Series 2003. The proceeds were used to finance certain public capital improvements benefiting the Southern California Logistics Airport and to finance certain low and moderate income housing projects.

In the fiscal year ended June 30, 2006 these bonds have been defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing), and the Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Housing Set-Aside). The amount of bonds outstanding at June 30, 2006 is $0.

Tax Allocation Parity Bonds, Series 2005A

In June 2005, the Southern California Logistics Airport Authority issued $42,185,000 principal amount of Tax Allocation Parity Bonds, Series 2005A. The proceeds were used to finance certain public capital improvements benefiting the Southern California Logistics Airport.

Bonds maturing on December 1, 2010, December 1, 2015, December 1, 2020, December 1, 2025, and December 1, 2030 in the amounts of $2,765,000, $3,365,000, $5,140,000, $6,335,000, and $7,870,000 are term bonds. The outstanding bonds bear interest at 3.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2015 are subject to optional redemption in whole or in part by lot without premium.

(4) Long-Term Liabilities, (Continued)

Tax Allocation Parity Bonds, Series 2005A, (Continued)

The bonds maturing on December 1, 2010, December 1, 2015, December 1, 2020, December 1, 2025, and December 1, 2030 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, and December 1, 2026, respectively, from sinking fund payments made by SCLAA.

In the fiscal year ended June 30, 2006 these bonds have been partially defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing). The required reserve for the Bonds is $1,797,890. As of June 30, 2006 the reserve amount was $2,505,968. 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 $146,451) at June 30, 2006 is $26,703,549.

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing)

In June 2006, the Southern California Logistics Airport Authority issued $62,780,000 principal amount of Tax Allocation Revenue Parity Bonds, Refunding Series 2006. The proceeds were used to refund the 2001 Tax Allocation Bonds, a portion of 2003 Tax Allocation Bonds, and a portion of 2005 Tax Allocation Bonds. As a result, the 2001 and 2003 Tax Allocation Bonds are considered to be defeased, and the 2005 Tax Allocation Bonds are considered to be partially defeased. The respective liabilities have been removed from the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by $2,421,895 and resulted in an economic gain of $1,665,044.

Bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 in the amounts of $6,895,000, $8,595,000, $10,810,000 and $20,335,000 are term bonds. The outstanding bonds bear interest at 4.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot without premium.

(4) Long-Term Liabilities, (Continued)

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing), (Continued)

The bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2022, December 1, 2027, December 1, 2032 and December 1, 2037, respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is $4,504,646. As of June 30, 2006, the reserve amount was $ 4,504,646. 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 $796,835) at June 30, 2006 is $61,983,165.

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Housing Set-Aside)

In June 2006, the Southern California Logistics Airport Authority issued $16,855,000 principal amount of Housing Set-Aside Revenue Bonds, Refunding Series 2006. The proceeds were used to refund a portion of the 2003 Tax Allocation Bonds. As a result the 2003 Tax Allocation Bond is considered to be defeased and the liability has been removed from the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by $1,563,960 and resulted in an economic gain of $533,504.

Bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 in the amounts of $1,855,000, $2,305,000, $2,905,000 and $5,460,000 are term bonds. The outstanding bonds bear interest at 4.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot without premium.

The bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2022, December 1, 2027, December 1, 2032 and December 1, 2037, respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is $1,209,395. As of June 30, 2006, the reserve amount was $ 1,209,395. 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 $216,934) at June 30, 2006 is $16,638,066.

(4) Long-Term Liabilities, (Continued)

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

In June 2006, the Southern California Logistics Airport Authority issued $45,020,000 principal amount of Tax Allocation Revenue Parity Bonds, Taxable Series 2006. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Airport.

Bonds maturing on December 1, 2036, and December 1, 2043 in the amounts of $20,080,000, and $24,940,000 are term bonds. The outstanding bonds bear interest at 6.10% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds are subject to optional redemption in whole or in part by lot, subject to a premium.

The bonds maturing on December 1, 2036, December 1, 2043 are subject to mandatory redemption in part by pro rata, without premium, commencing December 1, 2006, December 1, 2037, respectively, from sinking fund payments made by SCLAA.

The required reserve for the Bonds is $3,230,315. As of June 30, 2006, the reserve amount was $ 3,230,315. 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 $562,750) at June 30, 2006 is $44,457,250.

Taxable Industrial Development Revenue Notes, Series 2006 A

In November 2005, the Southern California Logistic Airport Authority issued $20,000,000 principal amount of Taxable Industrial Development Revenue Notes. In February 2006, the Southern California Logistic Airport Authority issued $30,000,000 principal amount of Taxable Industrial Development Revenue Notes. The proceeds were used to refund the $20,000,000 Taxable Industrial Development Revenue Notes, Series 2005A and to finance the reconstruction of certain hangar facilities within the Southern California Logistic Airport.

The notes bear interest at 5.50% from the date of issuance to November 1, 2007 and at three month Libor rate plus 5% each interest period thereafter, due February 1, May 1, August 1, and November 1 of each year, commencing May 1, 2006.

The amount of notes outstanding at June 30, 2006 is $20,000,000.