

NEW ISSUE – BOOK-ENTRY ONLY

NOT RATED

*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. Interest on the Bonds is not intended to be excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes. See "TAX MATTERS" herein.*

**\$64,165,000**  
**SOUTHERN CALIFORNIA**  
**LOGISTICS AIRPORT AUTHORITY**  
**TAXABLE SUBORDINATE TAX ALLOCATION REVENUE BONDS**  
**(SOUTHERN CALIFORNIA LOGISTICS AIRPORT PROJECT)**  
**SERIES 2006**

Dated: Date of Delivery

Maturity Date: December 1, 2043

Interest Rate: 6.05%

Yield: 6.317%

CUSIP No.\*: 842472 CK6

The Southern California Logistics Airport Authority Taxable Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2006 (the "Bonds") will be issued pursuant to the terms of an Indenture, dated as of November 1, 2006 (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 – Senior 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, with all interest so accruing being due and payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2007.

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

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

The Bonds are being issued to (i) finance certain 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 November 21, 2006.



Dated: November 8, 2006

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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.

# **SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**

## **AUTHORITY COMMISSION**

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

## **AUTHORITY STAFF**

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

## **SPECIAL SERVICES**

### **Authority General Counsel and Co-Disclosure Counsel**

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Calabasas, California

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Santa Ana, California

### **Bond Counsel and Co-Disclosure Counsel**

Fulbright & Jaworski L.L.P.  
Los Angeles, California

### **Trustee**

The Bank of New York Trust Company, N.A.  
Los Angeles, California

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**OFFICIAL STATEMENT**

**\$64,165,000  
SOUTHERN CALIFORNIA  
LOGISTICS AIRPORT AUTHORITY  
TAXABLE SUBORDINATE TAX ALLOCATION REVENUE BONDS  
(SOUTHERN CALIFORNIA LOGISTICS AIRPORT PROJECT)  
SERIES 2006**

**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 \$64,165,000 aggregate principal amount of its Taxable Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2006 (the “Bonds”). The Bonds are being issued pursuant to the Constitution and laws of the State of California (the “State”), including the Community Redevelopment Law (Part 1, Division 24, commencing with Section 33000 of the Health and Safety Code of the State) (the “Law”), and the Indenture, dated as of November 1, 2006 (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 (the “SCLA”), (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.

**The Victor Valley Economic Development Authority**

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

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

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

## **The Southern California Logistics Airport**

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

## **Tax Allocation Financing**

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

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



## **Senior Bonds**

The Bonds will be subordinate to those bonds listed below. The following bonds and any bonds, notes, interim certificates, debentures or other obligations or evidences of indebtedness issued by the Authority on a parity with such bonds are hereby referred to as the “Authority Senior Bonds”:

On June 15, 2005, the Authority issued its Tax Allocation Parity Bonds (Southern California Logistics Airport Project) Series 2005A (the “Series 2005A Bonds”) in the aggregate principal amount of \$42,185,000. Currently, \$26,850,000 of the Series 2005A Bonds are outstanding.

On June 20, 2006, the Authority issued its Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Taxable Series 2006 in the aggregate principal amount of \$45,020,000 (the “Taxable Non-Housing Bonds”) and the Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Refunding Series 2006 in the aggregate principal amount of \$62,780,000 (the “Non-Housing Bonds”). Currently, all of the Taxable Non-Housing Bonds and the Non-Housing Bonds are outstanding.

On November 1, 2006, the Authority issued its Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Taxable Forward Series (the “Taxable Forward Bonds”) in the aggregate principal amount of \$34,980,000. Currently, all of the Taxable Forward Bonds are outstanding.

## **Security for the Bonds**

The Authority has pledged “Pledged Tax Revenues” for the repayment of the Bonds. Pledged Tax Revenues is defined in the Indenture to mean (1) on a subordinate basis to the Authority Senior Bonds (A) all tax increment revenues generated on the parcels comprising SCLA pledged and annually allocated and paid to the Authority pursuant to the Redevelopment Plan and the Authority JPA, including all payments, subventions and reimbursements (if any) to the Authority specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the Authority in any Fiscal Year pursuant to Section 33334.3 of the Law, (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 SCLA, pursuant to the Redevelopment Plan and the VVEDA JPA, including all payments, subventions and reimbursements (if any) to the VVEDA Members specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the VVEDA Members in any Fiscal Year pursuant to Section 33334.3 of the Law, (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 HDPP Guaranty, and (D) the Victorville Pledge. (See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledged Tax Revenues”).

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 Law, the JPA Law, the Authority, and VVEDA are included in this Official Statement. Such information does not purport to be comprehensive or definitive. All references herein to the Indenture, the Law, the JPA Law, the Constitution and the laws of the State, and the proceedings of the Authority and VVEDA, are qualified in their entirety by reference to each 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**

The Authority has previously issued its Taxable Industrial Development Revenue Notes (Hangar Facility Project) 2006 Series A (the "Notes") in the aggregate principal amount of \$30,000,000. The Authority loaned the proceeds of the Notes (the "Loan") to CBS Aviation Development, LLC, a California limited liability company (the "Developer"), pursuant to a Loan Agreement, dated as of February 1, 2006. The Loan was made to the Developer for the purpose of providing funds to finance and refinance the construction of four hangar facilities, including related office and service space, located within the SCLA (the "Hangar Facilities"). The Authority has previously refunded \$10,000,000 of the Notes.

Stevens Capital, LLC, an affiliate of Kinsell, Newcomb & De Dios, Inc. (the "Underwriter"), the underwriter of the Bonds, has also loaned \$2,400,000 to the Developer (the "Stevens Loan"), for the purpose of financing the Hangar Facilities. Currently, approximately \$1.9 million of the Stevens Loan remains outstanding.

On November 1, 2006, the Authority issued and delivered its Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Taxable Forward Series (the "Forward Delivery Bonds") in the aggregate principal amount of \$34,980,000. A portion of the proceeds of the Forward Delivery Bonds were loaned to KND Affiliates (as defined below) for the purpose of repaying in full the Stevens Loan. In addition, a portion of the proceeds of the Forward Delivery Bonds were used by the Authority to refund the remainder of the Notes.

On August 11, 2006, KND Affiliates, LLC (the "KND Affiliates"), also an affiliate of the Underwriter, purchased the Hangar Facilities from the Developer and assumed the Developer's obligations under the Loan. The Authority has also loaned \$22,200,000 to KND Affiliates to substantially complete two of the Hangar Facilities. A portion of the proceeds of the Bonds in the amount of approximately \$31,500,000 are expected to be used to fund an additional loan to KND Affiliates to complete two additional Hangar Facilities and related infrastructure improvements. KND Affiliates expects to sell all or a portion of the Hangar Facilities. Such purchasers are expected to assume all obligations of the KND Affiliates to the Authority. For its efforts in overseeing the completion of the Hangar Facilities, KND Affiliates is in negotiations with the Authority to receive a construction

management fee in an amount no greater than 2% of the remaining costs to complete the Hangar Facilities estimated to be approximately \$53,700,000.

The remaining portion of the proceeds of the Bonds will be used to finance certain other redevelopment activities benefiting the SCLA 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 include the construction of up to four aircraft hangars, including any refinancing costs associated with short term debt.

**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 SCLA. Proceeds will also be used to fund the land acquisition and professional services necessary to obtain a permit from the State of California to build a 500 mega-watt, combined cycle power plant with a renewable 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 will fund civil engineering, right of way acquisition, mass grading, rail installation and roadway improvements.

**Public Improvements:**

Roadway improvements include Innovation Way, Aerospace Blvd, George Blvd, Eagle, Nevada and "A" 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 SCLA 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	\$64,165,000.00
Less: Original Issue Discount	(2,438,270.00)
Less: Underwriter's Discount	<u>(802,062.50)</u>
Total Sources	<u>\$60,924,667.50</u>
Uses	
Capital Projects	\$56,327,731.25
Reserve Account	4,389,930.00
Expense Fund <sup>(1)</sup>	<u>207,006.25</u>
Total Uses	<u>\$60,924,667.50</u>

<sup>(1)</sup> Includes fees and expenses of Bond Counsel, Co-Disclosure Counsel, Trustee, Fiscal Consultant, costs of printing the Official Statement and other costs of issuance of the Bonds.

## THE BONDS

### Description of the Bonds

The Bonds authorized to be issued by the Authority under and subject to the terms of the Indenture and the Law shall be dated the date of their initial delivery, shall bear interest at the rates per annum set forth on the inside cover hereof and are payable on June 1 and December 1 in each year, commencing June 1, 2007 (each an "Interest Payment Date").

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

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

Principal of and redemption premiums, if any, on the Bonds shall be payable upon the surrender thereof at maturity or the earlier redemption thereof at the Corporate Trust Office of the Trustee.

Principal of and redemption premiums, if any, and interest on the Bonds shall be paid in lawful money of the United States of America.

### **Redemption of Bonds**

The following redemption provisions apply to the Bonds:

Optional Redemption with Make-Whole Premium of the Bonds. The Bonds are subject to optional redemption prior to their maturity by the Authority, upon notice as set forth herein and in the Indenture, in whole or in part from such series and maturities as the Authority shall determine and by lot within a single series and maturity, on any date, at a redemption price equal to the greater of:

- 100% of the principal amount of the Bonds to be redeemed, or
- The sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 12.5 basis points,

plus in each case, accrued and unpaid interest on the Bonds being redeemed to the date fixed for redemption.

For the purpose of determining the Treasury Rate, the following definitions apply:

**Treasury Rate** means, with respect to any redemption date for a particular series of Bonds, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Treasury Dealer.

**Comparable Treasury Issue** means, with respect to any redemption date for a particular series of Bonds, the U.S. Treasury security or securities selected by the Designated Treasury Dealer which has an actual or interpolated maturity comparable to the remaining average life of the Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Bonds to be redeemed.

**Comparable Treasury Price** means, with respect to any redemption date for a particular series of Bonds, (1) if the Designated Treasury Dealer receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated Treasury Dealer obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

**Designated Treasury Dealer** means one of the Reference Treasury Dealers designated by the Authority.

**Reference Treasury Dealer** means any primary U.S. Government securities dealers in the State of New York (each a **Primary Treasury Dealer**) approved by the Authority; *provided, however*, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

**Reference Treasury Dealer Quotations** means, with respect to each Reference Treasury Dealer and any redemption date for a particular series of Bonds, the average, as determined by the Designated Treasury Dealer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Treasury Dealer by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

**Mandatory Sinking Fund Redemption.** The Bonds maturing on December 1, 2043 are subject to mandatory redemption, in part by pro rata, on December 1, 2007 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 table:

Redemption Date (December 1)	Principal Amount	Redemption Date (December 1)	Principal Amount
2007	\$ 395,000	2026	\$1,525,000
2008	530,000	2027	1,615,000
2009	560,000	2028	1,715,000
2010	595,000	2029	1,815,000
2011	630,000	2030	1,930,000
2012	670,000	2031	2,045,000
2013	710,000	2032	2,170,000
2014	755,000	2033	2,300,000
2015	800,000	2034	2,440,000
2016	845,000	2035	2,585,000
2017	900,000	2036	2,740,000
2018	955,000	2037	2,910,000
2019	1,010,000	2038	3,085,000
2020	1,070,000	2039	3,270,000
2021	1,135,000	2040	3,470,000
2022	1,205,000	2041	3,680,000
2023	1,280,000	2042	3,900,000
2024	1,355,000	2043	4,135,000
2025	1,435,000		

### **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.

<b><u>Bond Year</u></b> <b><u>Ending December 1</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Annual Total</u></b>
2007	\$395,000.00	\$3,989,815.35	\$4,384,815.35
2008	530,000.00	3,858,085.00	4,388,085.00
2009	560,000.00	3,826,020.00	4,386,020.00
2010	595,000.00	3,792,140.00	4,387,140.00
2011	630,000.00	3,756,142.50	4,386,142.50
2012	670,000.00	3,718,027.50	4,388,027.50
2013	710,000.00	3,677,492.50	4,387,492.50
2014	755,000.00	3,634,537.50	4,389,537.50
2015	800,000.00	3,588,860.00	4,388,860.00
2016	845,000.00	3,540,460.00	4,385,460.00
2017	900,000.00	3,489,337.50	4,389,337.50
2018	955,000.00	3,434,887.50	4,389,887.50
2019	1,010,000.00	3,377,110.00	4,387,110.00
2020	1,070,000.00	3,316,005.00	4,386,005.00
2021	1,135,000.00	3,251,270.00	4,386,270.00
2022	1,205,000.00	3,182,602.50	4,387,602.50
2023	1,280,000.00	3,109,700.00	4,389,700.00
2024	1,355,000.00	3,032,260.00	4,387,260.00
2025	1,435,000.00	2,950,282.50	4,385,282.50
2026	1,525,000.00	2,863,465.00	4,388,465.00
2027	1,615,000.00	2,771,202.50	4,386,202.50
2028	1,715,000.00	2,673,495.00	4,388,495.00
2029	1,815,000.00	2,569,737.50	4,384,737.50
2030	1,930,000.00	2,459,930.00	4,389,930.00
2031	2,045,000.00	2,343,165.00	4,388,165.00
2032	2,170,000.00	2,219,442.50	4,389,442.50
2033	2,300,000.00	2,088,157.50	4,388,157.50
2034	2,440,000.00	1,949,007.50	4,389,007.50
2035	2,585,000.00	1,801,387.50	4,386,387.50
2036	2,740,000.00	1,644,995.00	4,384,995.00
2037	2,910,000.00	1,479,225.00	4,389,225.00
2038	3,085,000.00	1,303,170.00	4,388,170.00
2039	3,270,000.00	1,116,527.50	4,386,527.50
2040	3,470,000.00	918,692.50	4,388,692.50
2041	3,680,000.00	708,757.50	4,388,757.50
2042	3,900,000.00	486,117.50	4,386,117.50
2043	<u>4,135,000.00</u>	<u>250,167.50</u>	<u>4,385,167.50</u>
<b>Total</b>	<b>\$64,165,000.00</b>	<b>\$98,171,677.85</b>	<b>\$162,336,677.85</b>



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

### **General**

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

The Authority has no power to levy and collect taxes, and any legislative property tax de-emphasis or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate must necessarily reduce the amount of Pledged Tax Revenues that would otherwise be available to pay the principal of and interest on the Bonds. Likewise, broadened property tax exemptions could have a similar effect.

### **Tax Allocation Financing**

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

### **Allocation of Taxes**

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

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

1. That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the 1993 Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency, last equalized prior to the effective date of such ordinance, shall be allocated to and when collected shall be paid to the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory in the 1993 Project Area on the effective date of such ordinance but to which such territory has been annexed or otherwise included after such effective date, the assessment roll of the County last

equalized on the effective date of said ordinance shall be used in determining the assessed valuation of the taxable property in the 1993 Project Area on said effective date); and

2. That portion of said levied taxes each year in excess of such amount shall be allocated as follows:
  - (i) from each VVEDA Member's percentage share of the one percent (1%) tax rate as follows:
    - (a) each VVEDA Member which is an incorporated city (the "City Member") shall have allocated as Tax Increment Revenues for VVEDA use, one hundred percent (100%) of its percentage share as well as a percentage share attributable to any municipally controlled special districts of such City Member, as the City Member may deem appropriate, in order that the total amount of the municipal share, when added with the percentage share of the municipally controlled districts of the City Member, equals 5.2935 percent of the one percent (1%) tax rate for property taxes generated upon the incremental assessed value of property located within the municipal boundaries of each City Member within the 1993 Project Area (such amounts constitute a portion of the amounts included in column number 8 of Table 10B and column number 7 of Tables 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 shall also have allocated as Tax Increment Revenues for VVEDA use 5.2935 percent of the one percent (1%) tax rate for property taxes generated upon the incremental assessed value of property which is within (a) County unincorporated areas and (b) the municipally incorporated areas of the 1993 Project Area, which would otherwise be attributable to the County General Fund or any of the special districts governed by the County Board of Supervisors (such amounts constitute a portion of the amounts included in column number 7 of Table 10D of the Fiscal Consultant's Report attached hereto as Appendix D);
  - (ii) with respect to the 1993 Project Area, VVEDA shall not have allocated as Tax Increment Revenues that portion of the percentage share of the one percent (1%) property tax rate attributable to the Apple Valley Fire Protection District, the Mojave Water Agency, the Baldy Mesa County Water District, the Mojave River County Water District, the Apple Valley Park District or the Hesperia Park District (such amounts constitute a portion of the amounts included in column number 8 of Table 10B and column number 7 of Tables 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 shall be allocated as Tax Increment Revenues for VVEDA use, the total amount of property taxes generated in excess of the amount provided above.

Furthermore, VVEDA entered into pass-through agreements with the County Superintendent of Schools, Adelanto Elementary School District, Victorville Elementary School District, Oro Grande Elementary School District, Victor Valley High School District, Apple Valley Unified School District,

Hesperia Unified School District and Victor Valley Community College District. Pursuant to these agreements, the County Superintendent receives 100% of its share of tax increment revenues, and all other districts receive 32.5% of their share of tax increment revenues. Such amounts constitute the remainder of the amounts included in column number 8 of Table 10B and column number 7 of Tables 10C, 10D, 10E and 10F of the Fiscal Consultant's Report attached hereto as Appendix D.

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

That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the Added Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency, last equalized prior to the effective date of the ordinance, shall be allocated to and when collected shall be paid to the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory in the Added Area on the effective date of the ordinance but to which such territory has been annexed or otherwise included after such effective date, the assessment roll of the County last equalized on the effective date of the ordinance shall be used in determining the assessed valuation of the taxable property in the Added Area on said effective date).

3. That portion of said levied taxes each year in excess of such amount shall be allocated as follows:
  - (i) from each VVEDA Member's percentage share of the one percent (1%) tax rate as follows:
    - (a) each VVEDA Member which is a City Member shall have allocated as Tax Increment Revenues for VVEDA use, one hundred percent (100%) of its percentage share as well as a percentage share attributable to any municipally controlled special districts of such City Member, as the City Member may deem appropriate, in order that the total amount of the municipal share, when added with the percentage share of the municipally controlled districts of the City Member, equals 5.2935 percent of the one percent (1%) tax rate for property taxes generated upon the incremental assessed value of property located within the municipal boundaries of each City Member within the Added Area.

Pursuant to the VVEDA JPA, upon calculation and distribution of Tax Increment Revenues as provided above, the VVEDA Members' Tax Increment Revenues are divided and allocated as follows: First, twenty percent (20%) of the VVEDA Members Tax Increment Revenues will be set aside for low and moderate income housing purposes and will be allocated to each VVEDA Member for use by each VVEDA Member in its own portion of the VVEDA Project Area (such amounts are reflected in column number 7 of Table 10B and column number 6 for Tables 10C, 10D, 10E and 10F of the Fiscal Consultant's Report attached hereto as Appendix D).

With respect to the Original VVEDA Members, the remaining balance of VVEDA Members Tax Increment Revenues, after the twenty percent set aside amounts (the "Net Revenues"), forty percent (40%) of the Net Revenues attributable to any Original Member's territory, exclusive of the SCLA parcels, will be allocated for use in such Original Member's territory and forty percent (40%) attributable to such Original Member's territory will be allocated solely for use on the SCLA. The remaining balance

equal to twenty percent (20%) of the Net Revenues attributable to each Original Member's portion of the VVEDA Project Area, exclusive of the SCLA parcels, will be placed into a separate reimbursement fund of VVEDA and will be paid out annually at the commencement of each fiscal year for eligible reimbursements to each VVEDA Member in proportion to the outstanding balance of any prior contributions (such amounts are reflected in column numbers 9, 10 and 11 of Table 10B and column numbers 8, 9 and 10 of Tables 10D, 10E and 10F of the Fiscal Consultant's Report attached hereto as Appendix D).

Upon full reimbursement to each Original Member of their contributions, the twenty percent (20%) portion of tax increment otherwise allocated for reimbursement will be split such that fifty percent (50%) thereof will be allocated for use in each VVEDA Member's territory with the remaining fifty percent (50%) to be allocated solely for use on SCLA.

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

A portion of the proceeds of the Taxable Non-Housing Bonds were used to prepay the reimbursement due to each Original Member for their contributions.

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

### **Ground Lease**

Pursuant to the Ground Lease and Development Agreement, dated February 9, 2001 (the "Lease"), by and between the Authority and High Desert Power Trust, a Delaware business trust ("HDPT"), the Authority has leased a portion of the SCLA to HDPT for the purpose of constructing an electric generating power plant of approximately 750 megawatts (the "Facility"). Under the Lease, HDPT agreed that to the extent the Facility does not, for any reason whatsoever, generate and result in the receipt by VVEDA and/or the Authority of net tax increment revenues in a total amount equal to at least \$2,000,000 which revenues are net of any pass through amounts to other affected taxing entities, in any Lease Year (as defined in the Lease) after the third Lease Year, HDPT will, in each such Lease Year, in addition to the base rent thereunder, pay to the Authority an in lieu amount (the "Additional Rent") equal to the difference between the amount of tax increment revenues that VVEDA and/or the Authority has actually received in such Lease Year as tax increment revenues attributable to the Facility, exclusive of pass through payments to affected taxing entities, and \$2,000,000; provided, however, that the maximum amount of the additional rent in any given Lease Year payable by HDPT shall not exceed \$1,000,000. The term of the Lease is for fifty (50) years.

Pursuant to a First Amendment to Estoppel, Nondisturbance and Attornment Agreement, dated as of April 26, 2001, all interest of HDPT in the Lease including its obligation to pay Additional Rent thereunder were assigned to High Desert Power Project, LLC, a California limited liability company ("HDPP"), a California limited liability company, which is an indirect wholly owned subsidiary of Constellation Energy Group, Inc. Such obligation of HDPP to pay Additional Rent is referred to herein as the "HDPP Guaranty." See "RISK FACTORS – HDPP Guaranty Unsecured Obligation" and "THE VVEDA PROJECT AREA – City of Victorville."

HDPP has never been required to pay Additional Rent under the Lease. Based on Fiscal Year 2005-06 assessed valuation of the Facilities, no Additional Rent is expected to be paid. See “RISK FACTORS – Property Assessment Appeals” herein.

### **Pledged Tax Revenues**

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

Pledged Tax Revenues are defined in the Indenture to mean (1) on a subordinate basis to the Authority Senior Bonds (A) all tax increment revenues generated on the parcels comprising SCLA pledged and annually allocated and paid to the Authority pursuant to the Redevelopment Plan and the Authority JPA, including all payments, subventions and reimbursements (if any) to the Authority specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the Authority in any Fiscal Year pursuant to Section 33334.3 of the Law, (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 SCLA, pursuant to the Redevelopment Plan and the VVEDA JPA, including all payments, subventions and reimbursements (if any) to the VVEDA Members specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the VVEDA Members in any Fiscal Year pursuant to Section 33334.3 of the Law, (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 HDPP 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” above and “APPENDIX A – SUMMARY OF THE INDENTURE.”

### **Pass-Through Agreements**

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

### **Housing Set-Aside**

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

(20%) requirement may be used outside a redevelopment project on a finding by the agency and the legislative body that such use will be of benefit to the project.

### **Reserve Account**

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

the option of the Authority the Additional Revenues (as defined below), shall be in an amount equal to at least 115% of the Maximum Annual Debt Service and maximum annual debt service on any unsubordinated loans, advances or indebtedness payable from Pledged Tax Revenues pursuant to the Law, for the Bond Year ending on the December 1 next following the date of issuance of such Additional Obligations, as evidenced by a Consultant's Report.

- 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. No maturity date will extend beyond the maturity date of the Bonds.
- g. 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.

### **Parity Senior Debt**

The Authority may issue bonds on a parity with the Authority Senior Bonds ("Parity Senior Bonds") so long as certain conditions set forth in the indentures relating to the Authority Senior Bonds are satisfied, including but not limited to the sufficiency of pledged tax revenues attributable to Authority Senior Bonds, and certain additional revenues, to cover at least 125% of the maximum annual debt service with respect to the Authority Senior Bonds and any Parity Senior Bonds outstanding or to be issued. For purposes of such calculation, the Bonds shall be deemed to be Authority Senior Bonds.

## **PLEGGED TAX REVENUES**

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

The following table presents historical assessed values and actual tax increment receipts for fiscal years shown. Fiscal Year 2001-02 was the first year the Added Area (additional territory within the cities



of Adelanto and Victorville and unincorporated areas of the County of San Bernardino which were added to the 1993 Project Area in 2000) was eligible to receive tax increment revenues. See "APPENDIX D – REPORT OF FISCAL CONSULTANT."

**VVEDA PROJECT AREA  
HISTORICAL ASSESSED VALUATIONS**

	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
Local Secured					
Secured Utility	\$1,896,159,721	\$2,088,417,795	\$2,499,642,200	\$3,061,281,600	\$4,053,698,914
Unsecured	2,634,592	475,685,108	488,900,000	482,300,000	470,600,000
Total	<u>264,645,977</u>	<u>100,473,349</u>	<u>106,013,500</u>	<u>115,415,000</u>	<u>135,093,029</u>
Less: Base Year (1997/98)	\$2,163,440,290	\$2,664,576,252	\$3,094,555,700	\$3,658,996,600	\$4,659,391,943
Incremental Value	<u>(1,808,804,706)</u>	<u>(1,808,804,706)</u>	<u>(1,807,466,800)</u>	<u>(1,808,804,200)</u>	<u>(1,808,804,200)</u>
Estimated Increment @ 1%	\$354,635,584	\$855,771,546	\$1,287,088,900	\$1,850,192,400	\$2,850,587,743
Actual Allocation Per County	\$3,546,356	\$8,580,741	\$12,870,889	\$18,501,924	\$28,505,877
Actual Revenue Received	\$2,597,828	\$8,325,051	12,856,500	\$18,996,347	n/a
	\$3,139,285	\$8,302,611	15,021,532	\$23,661,908	n/a
Distribution of Revenue Received					
<i>Member Jurisdictions</i>					
Low Mod Housing Fund					
SCLA	\$627,857	\$1,660,522	\$3,004,307	\$4,732,382	n/a
Victorville	974,781	3,243,690	5,230,048	6,335,165	n/a
Apple Valley	260,010	505,568	1,273,578	2,212,817	n/a
Hesperia	108,648	195,344	426,144	696,570	n/a
County	50,675	74,884	127,483	180,245	n/a
Prior Contribution Fund	44,865	43,715	59,742	61,090	n/a
Total	n/a	n/a	n/a	26,653	n/a
<i>Pass Throughs to Affected Districts</i>	<u>232,353</u>	<u>412,412</u>	<u>949,310</u>	<u>2,494,835</u>	n/a
	\$2,299,190	\$6,136,135	\$11,070,612	\$16,739,757	n/a
	\$840,095	\$2,166,476	\$ 3,950,921	\$6,922,151	n/a

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.

### VICTOR VALLEY DEVELOPMENT PROJECT AREA ASSESSMENT APPEALS HISTORY

	2002	2003	2004	2005	2006
Total Appeals on File	25	36	35	19	3
Withdrawn/Late/Denied	15	18	16	5	1
Appeals Stipulated/Reduced	3	3	7	3	0
Appeals Pending	7	15	12	11	2
<b>Resolved Appeals Summary</b>					
Assessor's Original Value	\$19,115,868	\$16,146,338	\$49,342,430	\$1,573,270	\$543,257
Applicant Opinion of Value	\$13,897,619	\$7,012,501	\$17,970,313	\$827,570	\$404,097
Requested Reduction of Value	\$5,218,249	\$9,133,837	\$31,372,117	\$745,700	\$139,160
% Reduction Requested	27.3%	56.6%	63.6%	47.4%	25.6%
Assessor Reduced Value	\$2,976,696	\$1,241,706	\$26,928,749	\$855,349	\$0
% Reduction Granted	15.6%	7.7%	54.6%	54.4%	0.0%
<b>Pending Appeals Summary</b>					
Assessor's Original Value	\$8,873,688	\$36,944,274	\$55,003,289	\$33,114,877	\$549,485
Applicant Opinion of Value	\$3,203,587	\$23,474,930	\$17,277,131	\$21,015,247	\$408,797
Requested Reduction of Value	\$5,670,101	\$13,469,344	\$37,726,158	\$12,099,630	\$140,688
% Reduction Requested	64%	36%	69%	37%	26%
<b>Potential Reductions Summary</b>					
Total Pending Appeals	47				
Pending Appeals Roll Value	\$134,485,613				
Applicant Opinion of Value	\$65,379,692				
Total Requested Reduction of Value	\$69,105,921				
Total Potential Value Loss	\$69,105,921				
Project Area 2005-06 Assessed Value	\$4,659,391,943				
Loss as a % of 2005-06 Assessed Value	1.48%				

## Projected Pledged Tax Revenues and Debt Service Coverage

The Authority's fiscal consultant prepared the projections of Pledged Tax Revenues as set forth in "TABLE 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 2005-06, 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.

**DEBT SERVICE COVERAGE**

Fiscal Year	Total Non-Housing Increment	Remaining Series 2005A Bonds		Non-Housing Bonds Debt Service		Taxable Non-Housing Bonds Debt Service		Total Authority Senior Bonds Debt Service		Pledged Tax Revenues	Bonds Debt Service		Coverage
		Debt Service	Bonds	Service	Debt	Service	Forward Bonds	Debt Service	Senior Bonds Debt Service		Debt Service	Bonds	
2007	\$15,478,465 <sup>(1)</sup>	\$1,791,940		\$3,515,791		\$2,691,475		\$10,429,967		\$5,048,498		\$4,384,815	1.15
2008	15,904,634	1,794,015		3,517,554		2,687,205		10,433,274		5,471,360		4,388,085	1.25
2009	16,380,100	1,795,215		3,512,394		2,687,935		10,470,004		5,910,096		4,386,020	1.35
2010	16,865,075	1,790,540		3,515,794		2,688,360		10,470,654		6,394,421		4,387,140	1.46
2011	17,358,360	1,790,165		3,518,144		2,688,480		10,467,994		6,890,366		4,386,143	1.57
2012	17,861,511	1,793,165		3,513,419		2,688,295		10,465,389		7,396,122		4,388,028	1.69
2013	18,374,724	1,794,165		3,517,788		2,687,805		10,473,318		7,901,406		4,387,493	1.80
2014	18,898,202	1,793,165		3,509,788		2,692,010		10,470,005		8,428,197		4,389,538	1.92
2015	19,432,150	1,795,165		3,510,398		2,690,605		10,466,125		8,966,025		4,388,860	2.04
2016	19,976,776	1,789,915		3,513,738		2,693,895		10,466,165		9,510,611		4,385,460	2.17
2017	20,532,295	1,790,934		3,514,538		2,691,575		10,472,756		10,059,539		4,389,338	2.29
2018	21,098,925	1,790,303		3,512,463		2,693,950		10,472,323		10,626,603		4,389,888	2.42
2019	21,676,887	1,793,021		3,512,413		2,690,715		10,469,771		11,207,116		4,387,110	2.55
2020	22,266,408	1,793,884		3,514,345		2,687,175		10,470,161		11,796,247		4,386,005	2.69
2021	22,867,720	1,797,890		3,513,525		2,688,330		10,473,443		12,394,278		4,386,270	2.83
2022	23,481,058	1,791,630		3,519,300		2,683,875		10,470,248		13,010,811		4,387,603	2.97
2023	24,106,662	1,793,390		3,512,375		2,694,115		10,474,558		13,632,105		4,389,700	3.11
2024	24,744,779	1,792,730		3,513,200		2,693,135		10,470,470		14,274,309		4,387,260	3.25
2025	25,395,658	1,789,650		3,511,325		2,696,545		10,468,145		14,927,513		4,385,283	3.40
2026	26,059,555	1,794,150		3,516,750		2,684,040		10,466,963		15,592,593		4,388,465	3.55
2027	26,736,730	1,789,350		3,514,025		2,691,535		10,470,193		16,266,538		4,386,203	3.71
2028	27,427,448	1,791,850		3,513,375		2,692,810		10,473,128		16,954,321		4,388,495	3.86
2029	28,131,980	1,796,200		3,514,575		2,688,170		10,475,400		17,656,580		4,384,738	4.03
2030	28,850,603	1,792,175		3,517,400		2,687,920		10,466,548		18,384,056		4,389,930	4.19
2031	29,582,222			3,516,625		4,481,755		10,471,583		19,110,640		4,388,165	4.36
2032	30,328,474			3,512,250		4,485,180		10,470,393		19,858,082		4,389,443	4.52
2033	31,089,651			3,514,500		4,480,675		10,463,508		20,626,144		4,388,158	4.70
2034	31,866,051			3,516,750		4,478,240		10,469,303		21,396,749		4,389,008	4.88
2035	32,657,979			3,513,750		4,482,265		10,470,975		22,187,004		4,386,388	5.06
2036	33,465,746			3,510,500		4,486,835		10,472,613		22,993,134		4,384,995	5.24
2037	34,289,668			3,511,750		4,486,340		10,473,040		23,816,628		4,389,225	5.43
2038	35,130,068			3,512,000		4,485,475		10,465,680		24,664,388		4,388,170	5.62
2039	35,987,277			3,516,000		4,483,630		10,475,105		25,512,172		4,386,528	5.82
2040	36,861,630			3,513,250		4,485,195		10,468,945		26,392,685		4,388,693	6.01
2041	37,753,469			3,518,750		4,479,255		10,466,600		27,286,869		4,388,758	6.22
2042	38,663,146			3,511,750		4,485,505		10,471,385		28,191,761		4,386,118	6.43
2043	39,591,016			3,517,500		4,477,420		10,461,080		29,129,936		4,385,168	6.64

<sup>(1)</sup> Amount includes additional tax increment revenue expected to be received from changes in ownership and new construction not reflected on the 2006-07 tax roll.  
Source: Underwriter and Fiscal Consultant.

## 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 2006-07. The largest secured property taxpayers represent 15.48% of the Fiscal Year 2006-07 secured assessed value of all taxable property within the VVEDA Project Area.

### VVEDA PROJECT AREA LARGEST 2006-07 SECURED TAXPAYERS

	<u>Property Owner</u>	<u># of Parcels</u>	<u>2006-07<sup>(1)</sup> Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
1.	High Desert Power Trust	1	\$470,600,000	10.10%
2.	Cemex California Cement LLC <sup>(2)</sup>	19	52,914,462	1.14
3.	Riverside Cement Co.	28	50,746,569	1.09
4.	Apple Valley Ranchos Water Co.	6	30,480,766	0.65
5.	General Electric Co. <sup>(2)</sup>	1	24,630,486	0.53
6.	Empire Homes	88	19,646,011	0.42
7.	Lowe's HIW Inc.	1	18,553,962	0.40
8.	Bear Valley Partners LP	11	15,865,909	0.34
9.	KB Home	276	13,859,859	0.30
10.	Western Land Properties	4	12,476,130	0.27
			\$709,774,154	15.23%
<b>2006-07 Total Assessed Value</b>			<b>\$4,659,391,943</b>	

<sup>(1)</sup> 2006-07 Total Secured Assessed Valuation: \$4,659,391,943.

<sup>(2)</sup> Cemex California Cement LLC and General Electric Co. have filed assessment appeals that have not yet been resolved. See Appendix D attached hereto.

Source: Rosenow Spevacek Group, Inc.

## Tax Sharing Statutes

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

The relevant portions of the Statutory Tax Sharing formula are:

- a. Commencing in the first fiscal year after the limitation has been reached, an amount equal to 25% of Tax Increment Revenues generated by the incremental increase of the current year assessed valuation in the fiscal year that the limitation had been reached, after the amount required to be deposited in the applicable Housing Fund has been deducted;

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

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

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

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

## **THE VVEDA PROJECT AREA**

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

The Redevelopment Plan for the 1993 Project Area located in the County was adopted on December 28, 1993, by Ordinance No. 2. The 1993 Project Area, which has been amended as described below, encompasses land area that falls within the jurisdictions of the Cities of Adelanto, Hesperia and Victorville, the Town of Apple Valley, and land area which is unincorporated and falls under the jurisdiction of the County. The VVEDA Project Area (comprising of the 1993 Project Area and certain added property described below) encompasses lands located within the VVEDA Member boundaries that are generally contiguous with SCLA and are not part of an existing redevelopment project area. The properties within the VVEDA Project Area are immediately adjacent to or in proximity of SCLA and contain deteriorated properties, inadequate infrastructure and blighted conditions that require the powers of a redevelopment agency to solve, or are required to effectively develop the VVEDA Project Area.

The original Redevelopment Plan for the 1993 Victor Valley Redevelopment Project was amended on December 28, 1994 by Ordinance No. 4 to allow VVEDA to collect Tax Increment Revenues for up to forty-five years following the adoption date of the Redevelopment Plan. The Redevelopment

Plan was amended again on June 11, 1997 by Ordinance No. 5 to implement special legislation which was subsequently updated by new special legislation that changed the base year to 1997-98. The 1998 Amendment to the Redevelopment Plan amended the Redevelopment Plan on April 22, 1998 by Ordinance No. 7 and allowed for the power of eminent domain in certain primarily nonresidential areas within portions of the VVEDA Project Area, which were located within the jurisdiction of the Town of Apple Valley and the County unincorporated area. The Fourth Amendment amended the Plan on July 12, 2000 and added approximately 15,705 acres (excluding public rights-of-way) in the Cities of Adelanto and Victorville and the County to the original 44,813 acres for a total of 60,518 acres. The area added by the Fourth Amendment to the Plan lies “in proximity to” (within eight miles of) SCLA as required by Section 33492.40(i) of the Law. The 2003 Amendment to the Redevelopment Plan amended the Redevelopment Plan on December 23, 2003 by Ordinance No. 9 and expanded the authority for VVEDA to acquire property through the power of eminent domain within certain portions of the VVEDA Project Area in the cities of Victorville and Adelanto and a portion of the unincorporated are of the County. The 2005 Amendment to the Redevelopment Plan for the 1993 Victor Valley Redevelopment Project (Amendment No. 7) (the “Amendment”) made certain changes to the Redevelopment Plan allowing each member of VVEDA to make an election to defer the deposit of the low and moderate income housing funds attributable to each member for a 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. The repayment of any such deferment must be made by July 12, 2045.

On August 16, 2006, the VVEDA Board of Commissioners adopted a resolution approving a preliminary plan and initiating plan amendment number 8 which if approved, will add approximately 30,000 acres of new territory to the Project Area. The proposed amendment area includes lands within the jurisdictional boundaries of the County of San Bernardino, Town of Apple Valley and the Cities of Adelanto and Victorville. The proposed Plan Amendment is scheduled for approval at its regularly scheduled Board Meeting of December 13, 2006.

### **Southern California Logistics Airport**

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

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

activity at SCLA and allocated to SCLA by VVEDA Members. The Authority also assumed all of VVEDA's obligations with respect to the Prior Notes pursuant to the VVEDA JPA.

The City caused the preparation and adoption of a Specific Plan to redevelop SCLA which has been determined to be in conformity with the Redevelopment Plan. In addition, a Master Development Plan was adopted by the Authority, which contemplates the development of SCLA as a cargo and aircraft maintenance facility as well as a business and industrial center. The goals of this Master Development Plan include the creation of jobs and other economic development opportunities to sustain and improve economic conditions at SCLA and in the Victor Valley, and the development of air cargo and aircraft maintenance uses as well as the establishment of an industrial and commercial center at SCLA. As the second international cargo gateway in Southern California (in addition to LAX), SCLA will relieve the region's increasing demand for international cargo operations, forecasted to grow from 3 to 9 million tons annually over the next 20 years.

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

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

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

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

Surface water within the SCLA site is limited to the Mojave River and its tributaries. Although the Mojave River Basin drains approximately 4,700 square miles, the year round flow is restricted by the

alluvial surface soils over and under which the river flows and by the limited rainfall in the area. Flooding has occurred along the Mojave River, but has been curtailed by the construction of the Mojave Forks Dam in the 1970s. The majority of drinking water in the area is drawn from the Upper Mojave River Basin Aquifer. This aquifer is in an overdraft situation which is forecast to continue regardless of the land use established on this property.

The project site is located in the Mojave Desert Air Basin. This air basin is characterized by very hot summers (up to 120 degrees Fahrenheit), mild winters (32 to 62 degree Fahrenheit average range), limited rainfall, low humidity and occasional snowfall and wind storms. The Mojave Desert Air Quality Management District (MDAQMD) is the agency responsible for monitoring air quality and enforcing ambient air quality standards in the VVEDA Project Area. Based upon data included in the 1989 San Bernardino County General Plan EIR and the 1991 Air Quality Attainment Plan (AQAP), the air quality is generally good with occasional exceedances in ozone, total suspended particulates, and particulates smaller than 10 microns in size (PM<sub>10</sub>). Based upon this information, the area has been designated as a non-attainment area (Severe-17) for ozone and unclassified for PM<sub>10</sub> by the Federal Environmental Protection Agency (EPA), and as a moderate non-attainment district for ozone by the California Air Resources Board.

Development activity occurring at SCLA include the following:

High Desert Power Project (HDPP): Located on the SCLA 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.

Boeing Recovery and Modifications Services (RAMS): 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.

SCLA Runway Extension: In May 2004, SCLA 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.

### **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 December 2005, the City's population was estimated at 90,671.

<b><u>Residential Population</u></b>	
1992	53,664
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

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**

<u>Year</u>	<u>Permits Issued</u>	<u>Value</u>
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	<u>2,263</u>	<u>\$405,191,347</u>
TOTAL	11,633	\$1,821,226,763

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 SCLA 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. Currently under construction is a new On the Border Mexican Restaurant and proposed for construction is the City's first Wal-Mart Super Store and a 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. Currently under construction are new facilities for Victorville Nissan, Valley Hi Honda and Victorville Mazda is currently in plan check.

Cinemark at the Mall of Victor Valley – Located outside the VVEDA Project Area but in the City, Cinemark USA is currently building a new 16-screen, stadium style movie theatre, replacing the 10-screens it previously operated at the Mall of Victor Valley. Cinemark is proposing to open its new 65,000 square foot movie theatre by fall 2006. With the new movie theater, the Mall of Victor Valley is expected to upgrade its demand for retail space.

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 will consist 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 is scheduled to open its doors in May 2006.

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.

<b>Gross Taxable Sales</b>	
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

<b>Commercial/Industrial Construction</b>		
Year	Permits Issued	Value
1993	8	\$9,357,924
1994	21	\$8,213,040
1995	14	\$4,462,816
1996	14	\$6,555,524
1997	27	\$6,956,319
1998	21	\$6,509,711
1999	14	\$9,777,053
2000	27	\$34,547,089
2001	20	\$27,303,759
2002	31	\$42,474,677
2003	22	\$15,657,070
2004	30	\$92,284,910
2005	9	\$12,388,045
<b>TOTAL</b>	<b>258</b>	<b>\$276,487,937</b>

## Rail Project Development

In order to enhance economic development activities at SCLA and to accommodate significant increased demand from large industrial users, the Authority has caused the creation of the Southern California Logistics Rail Authority (the "Rail Authority") along with the City and its Redevelopment Agency. The increased demand has been evidenced by the recent completion of the 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 recently adopted a Specific Plan Amendment which incorporates significant portions of SCLA 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 SCLA 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 (2002 through 2006): 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. Construction is scheduled to commence during the 3<sup>rd</sup> or 4<sup>th</sup> quarter of 2006.
- Phase 2 (2006 through 2010): 250-acre Inter-Modal rail facility, approximately 340 acres of industrial use (approximately 5.9 million square feet of general building area), and all off-site rail improvements.
- Phase 3 (2010 to 2015): approximately 1,190 acres of industrial use in the expansion area (approximately 12.3 million square feet of general building area).

Environmental review for this project commenced on January 6, 2003 and the Environmental Impact Report was certified in 2004. The Environmental Impact Report will enable commencement of construction activities on Phase 1 of the project. The Rail Authority has already submitted an application to the U.S. Department of Transportation to obtain financing under the Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA").

## **PROPERTY TAXATION IN CALIFORNIA**

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

Article XIII A of the California Constitution limits the amounts of ad valorem tax on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment period." Furthermore, all real property valuation may be increased to reflect the inflationary rate, as shown by the consumer price index, not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voters voting on the proposition approving such bonds, and requires a vote of two-thirds of the qualified electorate to impose special taxes, while

totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State tax law resulting in increased tax revenues.

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

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

### **Implementing Legislation**

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

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (a) real property between spouses and (b) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A and allows persons age 55 or older to transfer the lower assessed value of their current residence to another newly-purchased residence of equal or lesser value. For the exemption to apply, the new residence must be located in the same county and be purchased within two years after the sale of the previous residence. Proposition 60, as such, has no direct state or local fiscal effect unless the County Board of Supervisors passes an ordinance implementing it. The County of San Bernardino has adopted such an ordinance. In the March 26, 1996 general election, voters approved Proposition 193, which extends the parents-children exception to the reappraisal of assessment value. Proposition 193 amended Article XIII A so that grandparents may transfer to their grandchildren, whose parents are deceased, their principal residence and the first \$1,000,000 of other property without a reappraisal of assessed value.

The passage of Proposition 58, Proposition 60 and Proposition 193 may result in diminution of future increase in tax increment for the Authority. Although the extent of the decrease in tax increment in future years is not known, the Authority has no power to levy and collect taxes. Any further reduction in the tax rate or the implementation of any constitutional or legislative property tax de-emphasis will reduce

the tax increment and, accordingly, would have an adverse impact on the ability of the Authority to make payments of principal and interest on the Bonds.

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

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

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

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

### **Property Tax Collection Procedures**

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

Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The payment of delinquent taxes with respect to property on the secured roll may be enforced only through the sale of the property securing the taxes to the State for the amount of taxes that are delinquent. Such property may thereafter be redeemed by payment of the delinquent taxes and penalties. Unsecured personal property taxes may be collected, in the absence of timely payment by the taxpayer, through (1) a civil action against the taxpayer; (2) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on property of the taxpayer; (3) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer; and (4) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer.

Except for property assessed by the State, the valuation of taxable property is determined as of January 1 each year, and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due March 1 and become

delinquent August 31, and such taxes are levied at the prior year's secured tax rate. The valuation of State-assessed property is determined on January 1 of each year.

### **Supplemental Assessments**

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

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

### **Tax Collection Fees**

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

### **Unitary Property Tax**

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

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

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

The following is a summary of the case High Desert Power Trust 2000-A v. State Board of Equalization, et al., San Diego County Superior Court Case Number GIC 850227. The State Board of Equalization (the “Board”) 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 (“High Desert”) petitioned for reassessment, contending that the correct value was only \$224,471,394. Following High Desert’s petition, the Board reassessed the plant at a value of \$429,600,000. High Desert then filed the above referenced action on July 6, 2005, seeking a refund of property taxes paid for in 2003. High Desert alleges five causes of action.

The first cause of action challenges 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 challenge the assessed valuation of the power plant. These causes of action are summarily alleged with no underlying facts specified. The second cause of action claims that the Board’s valuation methodology was wrong for various reasons, including the use of an incorrect “replacement cost new value indicator,” the failure to consider obsolescence, the failure to consider the risk of new technology, the use of an improper land value, and other matters. The third cause of action claims there was no substantive evidence to support the Board’s valuation. The fourth cause of action claims discriminatory taxation based upon the application of a different method of taxing than that applied to other taxpayers similarly situated. The fifth cause of action claims that the Board’s valuation does not represent fair market value. Though not precisely alleged, presumably High Desert will again contend at trial that the correct value of the power plant was only \$224,471,394. The Authority contends that the State Board’s valuation was correct or perhaps even too low. No assurance can be given as to whether or not High Desert will prevail in their law suit. Any decrease in the assessed value of the power plant will have a corresponding effect on the amount of Pledged Tax Revenues available to pay debt service on the Bonds.

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

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

In 1990, the California Legislature amended Section 16112.7 of the California Government Code (Chapter 449, Statutes of 1990) which precludes redevelopment agencies from pledging special subvention revenues toward the payment of debt service for bonded indebtedness incurred after July 31, 1990 (the effective date of the legislation). The 1992-93 State Budget reduced the State’s funding for the



special subvention. As enacted under AB 222 (Chapter 188, Statutes of 1991), the Budget Act eliminated 1991-92 subvention payments for most redevelopment projects. Additionally, the 1992-93 State Budget implemented further cuts in funding for the State's special subvention to redevelopment agencies. **As a result, these revenues are not included in the projections of estimated Pledged Tax Revenues.**

### **Proposition 87**

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

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

### **Future Initiatives**

Article XIII A, Article XIII B, and Proposition 87 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the Authority or the Authority's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the Authority.

## **RISK FACTORS**

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

### **HDPP Guaranty Unsecured Obligation**

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

### **Bonds Are Limited Obligations**

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

## **Reduction of Tax Revenues**

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

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

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

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

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

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

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

## **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value basis of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a

calendar year basis. **The Authority has projected Pledged Tax Revenues to be received by it based, among other things, upon such 2% inflationary increases.** Should the assessed value of real property not increase at the allowed annual rate of 2%, the Authority's receipt of future Pledged Tax Revenues may be adversely affected. See "PROPERTY TAXATION IN CALIFORNIA – Constitutional Amendments Affecting Tax Revenues."

### **Development Risks**

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

### **Seismic Risk**

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

### **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.**

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

Sections 33333.2 and 33333.4 of the Law requires each redevelopment agency to either include in each redevelopment plan or to adopt by ordinance a limitation on the amount of taxes which may be divided and allocated to the redevelopment agency with respect to the related redevelopment project area. Pursuant to Section 33333.2, taxes may not be allocated to a redevelopment agency beyond this limitation except by amendment of the redevelopment plan. Pursuant to Section 33492.40(d), VVEDA has

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

In addition, under the provisions of AB 1290, enacted by the State Legislature in 1993, a redevelopment agency may not pay indebtedness or receive property taxes pursuant to Section 33670 of the Law after ten years from the termination of the effectiveness of a redevelopment plan (which is now limited to 45 years after the adoption of such redevelopment plan). See “RISK FACTORS – Assembly Bill 1290.”

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

Plan Expiration Date: July 12, 2030

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

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

### **Property Assessment Appeals**

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

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

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

corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value.

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

### **Assembly Bill 1290**

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

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

### **Educational Revenue Augmentation Fund**

The State budget for Fiscal Year 1993-94 transferred \$2.6 billion to school districts from cities, counties and other local governments, including redevelopment agencies. As part of the budget's transfer of moneys to school districts, the State Legislature adopted SB 1135 which required redevelopment agencies to transfer approximately \$65 million to the Educational Revenue Augmentation Fund ("ERAF") in both Fiscal Years 1993-94 and 1994-95. 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 Law and the JPA Law. The Authority is governed by a five-member commission which consists of all members of the City Council of the City, who also sit as the Agency’s Governing Board. The Mayor is selected from among the five City Council members, who are elected at large. City Council/Authority Commission members, their occupations and term expiration dates, are as follows:

<u><b>Board Member</b></u>	<u><b>Term Expires</b></u>	<u><b>Occupation</b></u>
Mike Rothschild	November 2008	Retired School Teacher
Rudy Cabriales	November 2008	Retired Fire Chief
JoAnn Almond	November 2006	Retired Business Owner
Terry E. Caldwell	November 2006	Attorney
Bob Hunter	November 2008	Investigator

### **Powers**

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

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

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

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

appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

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

### **Financial Information**

Included in this Official Statement as Appendix F are the audited financial statements of the Authority for the Fiscal Year ended June 30, 2005. 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 \$60,924,667.50 (which takes into account an Underwriter's discount of \$802,062.50 and an original issue discount of \$2,438,270.00).

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 following discussion is a summary of certain federal income tax consequences resulting from the purchase, ownership and disposition of the Bonds. This summary is based upon provisions of the Code, applicable Treasury Department regulations (including proposed regulations) promulgated thereunder, published revenue rulings and judicial precedent currently in effect, all of which are subject to change.

The following discussion does not address all aspects of federal taxation that may be applicable to investors. In addition, the following discussion does not address federal tax considerations of investors who are subject to special provisions of the Code, such as life insurance companies, tax-exempt organizations, foreign taxpayers and taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code. This summary is further limited to investors who are United States persons and who will hold the Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code.

The Authority does not intend that the interest on the Bonds be excludable pursuant to section 103(a) of the Code from the gross income of the owners for federal income tax purposes. **THE INTEREST ON THE BONDS GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.**

An owner will recognize gain or loss on the sale or exchange of a Bond equal to the difference between the sale or exchange price (exclusive of the amount paid for accrued interest) and the owner’s tax basis in the Bond. Generally, the owner’s tax basis in a Bond will be the owner’s initial cost. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on whether the Bonds have been held for more than the applicable period.

Under current law, a purchaser of the Bonds who did not purchase such Bonds in the initial public offering at the issue price (a “subsequent purchaser”) generally will be required, on the disposition of the Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of any accrued “market discount.” Market discount is the amount by which the price paid for the Bonds by the subsequent purchaser is less than the Bonds’ issue price. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire the Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, the subsequent purchaser may elect to include such market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deduction deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of the Bonds by an owner could have a material adverse effect on the market value of the Bonds.

The interest on the Bonds to be paid to an owner of the Bonds ordinarily will not be subject to withholding by the Trustee of federal income tax if the owner is a United States person (as defined in the Code). However, interest to be paid to even a United States person will be subject to withholding of income tax at a rate of 31% under certain circumstances. For example, this withholding generally applies if the owner of the Bonds (1) fails to furnish to the Trustee such owner’s social security number or other taxpayer identification number (“TIN”), (2) furnishes the Trustee an incorrect TIN, (3) fails to report properly interest, dividends or other “reportable payments” as defined in the Code, or (4) under certain circumstances, fails to provide the Trustee or the owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided to the Trustee is correct and that the owner is not subject to backup withholding.

In the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from personal income taxes of the State of California.

The foregoing is not intended to be a complete discussion of the federal income or California personal income tax consequences of acquiring, holding and/or disposing of a Bond. Any person considering investing in the Bonds should consult his or her own tax advisor concerning the federal, state, local and other tax consequences resulting from the purchase, ownership and disposition of the Bonds under applicable federal, state and local laws.

#### **NO LITIGATION**

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

#### **NO RATING**

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

#### **MISCELLANEOUS**

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

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

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT  
AUTHORITY

By \_\_\_\_\_ /s/ Jon Roberts  
Executive Director

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## 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 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.

##### Annual Debt Service

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

##### Authority

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

##### Authority JPA

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

## Authority Senior Bonds

The term “Authority Senior Bonds” means the Authority’s \$42,185,000 Tax Allocation Parity Bonds (Southern California Logistics Airport Project) Series 2005A, the Authority’s \$62,780,000 Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Refunding Series 2006, the Authority’s \$45,020,000 Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Taxable Series 2006, the Authority’s \$34,980,000 Tax Allocation Revenue Parity Bonds (Southern California Logistics Airport Project) Taxable Forward Series, and any bonds, notes, interim certificates, debentures or other obligations or evidences of indebtedness issued by the Authority on a parity with such bonds.

## 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

Frequency of Valuation	<u>Remaining Maturity</u>				
	<u>1 Year or less</u>	<u>5 Years or less</u>	<u>10 Years or less</u>	<u>15 Years or less</u>	<u>30 Years or less</u>
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 Taxable Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2006.

### 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, 2006, and (ii) thereafter, each successive twelve month period ending on December 1.

### Business Day

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

### Business Inventory Tax Subvention

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

### Certificate of the Authority

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

### City

The term “City” means the City of Victorville, California.

### Closing Date

The term “Closing Date” means November 21, 2006.

### 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 Law and identified in writing to the Trustee.

HDPP

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

HDPP Guaranty

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

## HDPT

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

## Indenture

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

## Independent Certified Public Accountant

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

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

## Independent Financial Consultant

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

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

## Independent Redevelopment Consultant

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

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

### Information Services

The term “Information Services” means Financial Information, Inc.’s “Daily Called 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, 2007, on which interest on any Series of Bonds is 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.

### Law

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

### Lease

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

### Lease Year

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

### Letter of Representations

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

### Mandatory Sinking Account Payment

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

### 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 (1) on a subordinate basis to the Authority Senior Bonds (A) all tax increment revenues generated on the parcels comprising SCLA pledged and annually allocated and paid to the Authority pursuant to the Redevelopment Plan and the Authority JPA, including all payments, subventions and reimbursements (if any) to the Authority specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the Authority in any Fiscal Year pursuant to Section 33334.3 of the Law, (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 SCLA, pursuant to the Redevelopment Plan and the VVEDA JPA, including all payments, subventions and reimbursements (if any) to the VVEDA Members specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, but excluding (i) all amounts of such taxes required to be deposited for low and moderate income housing purposes by the VVEDA Members in any Fiscal Year pursuant to Section 33334.3 of the Law, (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 HDPP Guaranty, and (D) the Victorville Pledge.

### Principal Payment Date

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

### Project

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

### Qualified Reserve Account Credit Instrument

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

### Redevelopment Plan

The term “Redevelopment Plan” means the Amended Redevelopment Plan for the 1993 Victor Valley Redevelopment Project initially adopted on December 28, 1993 by Ordinance No. 2 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.

### SCLA

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

### Securities Depositories

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

### 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 SCLA and allocable pursuant to the VVEDA JPA after setting aside the amount required to be used for low and moderate income housing purposes.

## VVEDA

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

## VVEDA JPA

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

## VVEDA Project Area

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



### Written Request of the Authority

The term “Written Request of the Authority” means an instrument in writing signed by the Chairman, 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.

### **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 Taxable Subordinate Tax Allocation Revenue Bonds Series 2006 Special Fund” which shall be held by the Trustee. The Authority shall cause the transfer of all Pledged Tax Revenues to the Trustee for deposit in the Special Fund upon receipt by the Authority thereof. There shall not be deposited with the Trustee any taxes eligible for allocation to the Authority for deposit in the respective Special Fund pursuant to the Law in an amount in excess of that amount that, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, is sufficient to discharge all Outstanding Bonds as provided in the Indenture.

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

Expense Fund. All moneys in the Expense Fund shall be applied to the payment of costs and expenses incurred by the Authority in connection with the authorization, issuance and sale of the Bonds and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition executed by an officer of the Authority. Each such requisition shall be sequentially numbered and state the name and address of the person, firm or corporation to whom payment is due, the amount to be disbursed, the purposes for such disbursement and that such obligation has been properly incurred and is a proper charge against the Expense Fund. Upon receipt of such requisition, the Trustee is authorized to act thereon without further inquiry and shall not be responsible for the contents of such requisition. Upon the earlier of the payment in full of such costs and expenses (or the making of adequate provision for the payment thereof, evidenced by a Certificate of the Authority to the Trustee) or 180 days after delivery of the Bonds to the original purchaser thereof, any balance remaining in such Fund shall be transferred to the 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, 2007 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 subparagraph (D) 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 Law so as to complete the Project as soon as possible.

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

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

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

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

All such payments to the Authority in lieu of taxes shall be treated as Pledged Tax Revenues and shall be transferred by the Authority to the Trustee to be deposited by the Trustee in the 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 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 Authority Senior Bonds that will be outstanding upon issuance of the 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.

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

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

## **The Trustee**

The Authority may at any time, but only prior to an Event of Default, and only upon thirty (30) days written notice, at its sole discretion remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor shall be a corporation, 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 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 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 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 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 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.

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## 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  
Taxable Subordinate Tax Allocation Revenue Bonds  
(Southern California Logistics Airport Project)  
Series 2006

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 \$64,165,000 amount of its Taxable Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project), Series 2006 (the "Bonds"). We have also examined supplemental documents furnished to us and have obtained such certificates and documents from public officials as we have deemed necessary for the purposes of this opinion. The Bonds are issued under the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California), as in existence on the Closing Date, the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State, and pursuant to an Indenture, dated as of November 1, 2006 (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, 2007.

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

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

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

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

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

(iv) Interest on the Bonds is exempt from personal income taxes of the State of California. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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.

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](http://www.dtcc.com) and [www.dtc.org](http://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 DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership.

DTC has no knowledge of the actual Beneficial Owners of the Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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Southern California Logistics Airport Authority

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# **Fiscal Consultant Report**

## **Fiscal Year 2006-07**

October 25, 2006

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Southern California Logistics Airport Authority  
18374 Readiness Street  
Victorville, California 92394



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# Fiscal Consultant's Report

Southern California Logistics Airport Authority

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## 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:

Table 1:	Redevelopment Plan Limits
Table 2:	Base Year Valuation
Tables 3A-B:	Historic Assessed Valuation and Tax Increment Receipts
Tables 4a-i:	Assessed Valuation by Land Use
Tables 5a-h:	Increases in Assessed Value due to Resales
Table 6:	New Development
Table 7:	Assessment Appeals
Table 8:	Summary of Agreement Terms
Tables 9a-g:	Top Ten Taxpayers
Tables 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 XIII A of the California Constitution (“Proposition 13”), and;
3. Assessment and apportionment procedures of the County of San Bernardino (“County”).

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

## **Background**

### **Creation of Victor Valley Economic Development Authority**

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

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

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

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

The Victor Valley Economic Development Authority was formed pursuant to Government Code Section 6500 et seq., and authorized by Section 33492.40(b) of the CRL to secure a redevelopment project for the properties within, immediately adjacent to or in proximity to the former George Air Force Base. VVEDA's purpose is to plan for the use and reuse of the Base and to acquire, own, maintain and operate it as a commercial and general aviation airport. The reuse of the Air Base for civil aviation and non-aviation uses is essential to the region's retention of jobs and its future economic stability and growth.

## **Redevelopment Plan and Amendments**

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

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

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.

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. The Distribution of Tax Increment section later in this report discusses the effects of Amendment No. 6 on tax increment revenue in greater detail.

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.

**Redevelopment Plan Limitations**

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

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

The Agency has the option to extend the time limits present above by one year as allowed by SB 1045. The Agency does not qualify for any time limit extension allowed by SB 1096.

**General Assumptions in the Revenue Projections**

**Assessed Valuation**

The Redevelopment Plan for the Project Area provides that VVEDA may collect tax increment to finance project implementation. Tax increment revenue is generated from increases in the current year total assessed

value above the base year value. Table 2 presents a summary of the Base Year Value provided by the County Auditor-Controller (as of 9/05) broken out by each Member Jurisdiction's share.

<b>TABLE 2</b>	
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>	
Base Year Values	
<i>Member Jurisdiction</i>	
Victorville	\$1,166,037,800
SCLAA	7,854,300
SUBTOTAL	1,173,892,100
Hesperia	122,199,200
Apple Valley	436,031,300
San Bernardino County	51,724,800
TOTAL 1993 PROJECT AREA BASE YEAR (1997-98)	1,783,847,400
Amendment Area No. 4	24,956,800
TOTAL PROJECT AREA BASE YEAR	\$1,808,804,200

In August of each year, the County Auditor-Controller provides a report for the Project Area that delineates the current year and base year values. The current year (fiscal year 2006-07) total assessed value for the Project Area is \$4,559,643,957 of which tax increment revenue is generated from the incremental assessed value in excess of the Project Area's base year value of \$1,808,804,200.

Table 3 presents historical assessed values and actual tax increment receipts for fiscal years 2002-03 through 2006-07.

FISCAL CONSULTANT REPORT  
SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

TABLE SA  
VICTOR VALLEY REDEVELOPMENT PROJECT AREA  
HISTORICAL ASSESSED VALUATION AND TAX INCREMENT RECEIPTS

	2002-03		% Growth Orig Area	2003-04		% Growth Orig Area	2004-05		% Growth Orig Area
	Original Area	4th Amend Area		Original Area	4th Amend Area		Original Area	4th Amend Area	
<b>Assessed Valuations</b>									
Local Secured	1,873,929,605	22,230,116	1,896,159,721	2,065,794,914	22,622,881	2,088,417,795	2,476,054,100	23,588,100	2,499,642,200
Secured Utility	2,634,592	-	2,634,592	475,685,108	-	475,685,108	489,900,000	-	489,900,000
Unsecured	284,618,020	27,957	284,645,977	100,539,171	34,178	100,473,349	105,982,100	31,400	106,013,500
	2,141,182,217	22,258,073	2,163,440,290	2,641,919,193	22,657,059	2,664,576,252	3,070,936,200	23,619,500	3,094,555,700
1997-98 Base Year (Per Original & Annual A/C Reports)	(1,783,847,892)	(24,956,814)	(1,808,804,706)	(1,783,847,892)	(24,956,814)	(1,808,804,706)	(1,783,847,400)	(23,619,400)	(1,807,466,800)
<b>Incremental Value</b>	357,334,325	(2,698,741)	354,635,584	858,071,301	(2,299,755)	855,771,546	1,287,088,800	100	1,287,088,900
<b>Est Increment @1%<sup>1</sup></b>	3,573,343	-	3,546,356	8,580,741	-	8,580,741	12,870,888	-	12,870,889
<b>Actual Allocation Per County A/C<sup>2</sup></b>	2,597,828	-	2,597,828	8,325,051	-	8,325,051	12,856,500	-	12,856,500
<b>Actual Revenue Received</b>	3,139,285	-	3,139,285	8,302,611	-	8,302,611	15,021,532	-	15,021,532
<b>Distribution of Revenue Received</b>									
<i>Member Jurisdictions</i>									
Low Mod Housing Fund	627,857	8%	627,857	1,660,522	20%	1,660,522	3,004,307	20%	3,004,307
<b>SCLA</b>	<b>974,781</b>	<b>12%</b>	<b>974,781</b>	<b>3,243,690</b>	<b>39%</b>	<b>3,243,690</b>	<b>5,230,048</b>	<b>35%</b>	<b>5,230,048</b>
Victorville	260,010	3%	260,010	505,568	6%	505,568	1,273,578	8%	1,273,578
Apple Valley	108,648	1%	108,648	195,344	2%	195,344	426,144	3%	426,144
Hesperia	50,675	1%	50,675	74,884	1%	74,884	127,483	1%	127,483
County	44,885	1%	44,885	43,715	1%	43,715	95,742	0%	95,742
Prior Contribution Fund	232,353	3%	232,353	412,412	5%	412,412	949,310	6%	949,310
Pass Throughs to Affected Districts	2,299,190	27%	2,299,190	6,136,135	26%	6,136,135	11,070,612	26%	11,070,612
	840,095	54%	840,095	2,166,476	100%	2,166,476	3,950,921	100%	3,950,921
	3,139,285		3,139,285	8,302,611		8,302,611	15,021,532		15,021,532
<b>Assessed Valuations</b>									
Local Secured	3,029,148,200	32,133,400	3,061,281,600	3,997,274,334	56,424,580	4,053,698,914	3,997,274,334	4,053,698,914	
Secured Utility	462,300,000	-	462,300,000	470,600,000	-	470,600,000	470,600,000	470,600,000	
Unsecured	115,385,900	29,100	115,415,000	135,051,672	41,357	135,093,029	135,051,672	135,093,029	
	3,626,834,100	32,162,500	3,658,996,600	4,602,926,006	56,465,937	4,659,391,943	4,602,926,006	4,659,391,943	
1997-98 Base Year (Per Original & Annual A/C Reports)	(1,783,847,400)	(24,956,800)	(1,808,804,200)	(1,783,847,400)	(24,956,800)	(1,808,804,200)	(1,783,847,400)	(24,956,800)	
<b>Incremental Value</b>	1,842,986,700	7,205,700	1,850,192,400	2,819,078,606	31,509,137	2,850,587,743	2,819,078,606	2,850,587,743	
<b>Est Increment @1%<sup>1</sup></b>	18,429,867	-	18,501,924	28,190,786	-	28,505,877	28,190,786	28,505,877	
<b>Actual Allocation Per County A/C<sup>2</sup></b>	18,996,347	-	18,996,347	28,190,786	-	28,505,877	28,190,786	28,505,877	
<b>Actual Revenue Received</b>	23,661,908	-	23,661,908	Not Available	-	Not Available	28,190,786	28,505,877	
<b>Distribution of Revenue Received</b>									
<i>Member Jurisdictions</i>									
Low Mod Housing Fund	4,732,382	20%	4,732,382	Not Available	-	Not Available	Not Available	Not Available	
<b>SCLA</b>	<b>6,335,165</b>	<b>27%</b>	<b>6,335,165</b>	Not Available	-	Not Available	Not Available	Not Available	
Victorville	2,212,817	9%	2,212,817	Not Available	-	Not Available	Not Available	Not Available	
Apple Valley	686,570	3%	686,570	Not Available	-	Not Available	Not Available	Not Available	
Hesperia	180,245	1%	180,245	Not Available	-	Not Available	Not Available	Not Available	
County	61,090	0%	61,090	Not Available	-	Not Available	Not Available	Not Available	
Adelanto	26,653	0%	26,653	Not Available	-	Not Available	Not Available	Not Available	
Prior Contribution Fund	2,494,835	11%	2,494,835	Not Available	-	Not Available	Not Available	Not Available	
Pass Throughs to Affected Districts	16,739,757	29%	16,739,757	Not Available	-	Not Available	Not Available	Not Available	
	6,922,151	100%	6,922,151	Not Available	-	Not Available	Not Available	Not Available	
	23,661,908		23,661,908	Not Available	-	Not Available	Not Available	Not Available	

<sup>1</sup> "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."

<sup>2</sup> Each year, San Bernardino County issues report "PI1715R01 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 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.

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

**TABLE 3B**

**VICTOR VALLEY REDEVELOPMENT PROJECT AREA**  
**HISTORICAL ASSESSED VALUATION - VICTORVILLE AND SCLA SUBAREAS**

	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Victorville					
Total	1,268,321,600	1,399,618,600	1,688,509,500	2,101,436,000	2,858,551,477
Base Year	1,166,037,800	1,166,037,800	1,166,037,800	1,166,037,800	1,166,037,800
Increment	102,283,800	233,580,800	522,471,700	935,398,200	1,692,513,677
SCLA					
Total	84,673,600	454,585,600	531,774,400	524,995,300	520,210,897
Base Year	7,854,300	7,854,300	7,854,300	7,854,300	7,854,300
Increment	76,819,300	446,731,300	523,920,100	517,141,000	512,356,597

**Assessed Valuation by Land Use Category**

Tables 4a-i present the secured value by land use for the entire Project Area as well as for each member jurisdiction.

<b>TABLE 4a</b>		
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>		
<b>ASSESSED VALUE BY LAND USE - COMBINED</b>		
<b>Land Use Category</b>	<b>Secured Value</b>	<b>%</b>
Commercial	\$309,462,241	6.79%
Industrial	664,508,559	14.57%
Residential	2,888,887,021	63.36%
Vacant	546,577,463	11.99%
Public	12,858,979	0.28%
Professional	122,784,197	2.69%
Miscellaneous	14,565,497	0.32%
Total Project Area	\$4,559,643,957	100.00%

<b>TABLE 4b</b>		
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>		
<b>ASSESSED VALUE BY LAND USE - VICTORVILLE</b>		
<b>Land Use Category</b>	<b>Secured Value</b>	<b>%</b>
Commercial	\$241,834,919	8.67%
Industrial	79,457,851	2.85%
Residential	2,030,331,668	72.83%
Vacant	346,015,315	12.41%
Public	10,212,768	0.37%
Professional	71,734,553	2.57%
Miscellaneous	8,171,396	0.29%
Total Project Area	\$2,787,758,470	100.00%

<b>TABLE 4c</b>		
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>		
<b>ASSESSED VALUE BY LAND USE - SCLA</b>		
<b>Land Use Category</b>	<b>Secured Value</b>	<b>%</b>
Commercial	\$10,819,398	2.13%
Industrial	496,972,486	97.84%
Miscellaneous	174,440	0.03%
Total Project Area	\$507,966,324	100.00%

<b>TABLE 4d</b>		
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>		
<b>ASSESSED VALUE BY LAND USE - VICTORVILLE AMENDMENT IV</b>		
<b>Land Use Category</b>	<b>Secured Value</b>	<b>%</b>
Residential	\$456,711	13.57%
Vacant	2,908,101	86.43%
Total Project Area	\$3,364,812	100.00%

<b>TABLE 4e</b>		
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>		
<b>ASSESSED VALUE BY LAND USE - COUNTY</b>		
<b>Land Use Category</b>	<b>Secured Value</b>	<b>%</b>
Commercial	\$670,495	0.87%
Industrial	51,430,333	66.97%
Residential	13,643,879	17.77%
Vacant	10,882,503	14.17%
Public	129,506	0.17%
Miscellaneous	39,363	0.05%
<b>Total Project Area</b>	<b>\$76,796,079</b>	<b>100.00%</b>

<b>TABLE 4f</b>		
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>		
<b>ASSESSED VALUE BY LAND USE - COUNTY AMENDMENT IV</b>		
<b>Land Use Category</b>	<b>Secured Value</b>	<b>%</b>
Residential	\$1,418,183	9.48%
Vacant	13,538,121	90.52%
<b>Total Project Area</b>	<b>\$14,956,304</b>	<b>100.00%</b>

<b>TABLE 4g</b>		
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>		
<b>ASSESSED VALUE BY LAND USE - APPLE VALLEY</b>		
<b>Land Use Category</b>	<b>Secured Value</b>	<b>%</b>
Commercial	\$55,138,780	6.26%
Industrial	32,967,665	3.74%
Residential	602,860,796	68.47%
Vacant	130,283,629	14.80%
Public	2,139,143	0.24%
Professional	51,049,644	5.80%
Miscellaneous	6,072,196	0.69%
<b>Total Project Area</b>	<b>\$880,511,853</b>	<b>100.00%</b>

<b>TABLE 4h</b>		
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>		
<b>ASSESSED VALUE BY LAND USE - HESPERIA</b>		
<b>Land Use Category</b>	<b>Secured Value</b>	<b>%</b>
Commercial	\$738,549	0.30%
Industrial	3,050,093	1.22%
Residential	239,457,259	95.80%
Vacant	6,352,391	2.54%
Public	353,306	0.14%
<b>Total Project Area</b>	<b>\$249,951,598</b>	<b>100.00%</b>

<b>TABLE 4i</b>		
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>		
<b>ASSESSED VALUE BY LAND USE - ADELANTO AMENDMENT IV</b>		
<b>Land Use Category</b>	<b>Secured Value</b>	<b>%</b>
Commercial	\$260,100	0.68%
Industrial	630,131	1.64%
Residential	718,525	1.87%
Vacant	36,597,403	95.46%
Public	24,256	0.06%
Miscellaneous	108,102	0.28%
<b>Total Project Area</b>	<b>\$38,338,517</b>	<b>100.00%</b>

Source: San Bernardino County Assessor, MetroScan.

The above tables show that more than half of the secured valuation in the Project Area as well as the Victorville portion is residential property. For the area under SCLA's jurisdiction, the vast majority of the assessed value is industrial property with commercial property being the only other significant category.



## **Growth Assumptions**

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

- a. Secured Roll. The projections assume a 2% annual increase in the secured assessed valuation, which is the maximum annual increase permitted by Proposition 13. Since its passage in 1976, there have been five occurrences when the inflationary adjustment was less than 2%. This occurred once in the early 1980s, and in fiscal years 1995-96, 1996-97, 1999-00, and 2004-05; for the latter fiscal years, actual increases imposed by Proposition 13 were 1.19%, 1.11%, 1.85%, and 1.87%, respectively. However, since real estate values have stabilized, the projections assume a 2% inflationary growth.
- b. Unsecured Roll. Unsecured values are not subject to inflationary increases and are instead carried at actual value. Although the growth of unsecured valuations will continue to vary from one year to the next, a 2% increase in unsecured valuations has been assumed in the entire Project Area over projection period.
- c. Utility Roll. The secured utility roll is also assumed to increase at a 2% annual rate.
- d. Changes in Ownership. Property sales that occurred in the Project Area between January 1, 2006 and September 30, 2006 will be reflected in the 2007-08 assessed values. Tables 5a-h show the increase in assessed value due to resales.
- e. New Development. New development that occurred in the Project Area between January 1, 2006 and September 30, 2006 will be reflected in the 2007-08 assessed values. Table 6 shows the projected new development in the Victorville portion of the Project Area.

## Increase in Assessed Value Due to Resales

The following tables 5a-h show the increase in Assessed Value due to resales that occurred in 2006.

<b>TABLE 5a</b>					
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>					
<b>INCREASES IN ASSED VALUE DUE TO RESALES - COMBINED</b>					
<b>Month</b>	<b>Properties Sold</b>	<b>Cumulative Sales Value</b>	<b>Cumulative Presale Value</b>	<b>Increase / (Decrease)</b>	<b>Percentage</b>
January-06	167	\$51,849,318	\$26,346,716	\$25,502,602	96.80%
February-06	154	49,003,273	22,488,187	26,515,086	117.91%
March-06	261	82,040,600	29,072,579	52,968,021	182.19%
April-06	241	83,224,909	29,551,314	53,673,595	181.63%
May-06	248	86,373,350	29,780,939	56,592,411	190.03%
June-06	263	86,287,500	28,496,585	57,790,915	202.80%
July-06	211	67,219,872	27,879,566	39,340,306	141.11%
August-06	194	61,465,049	26,874,670	34,590,379	128.71%
September-06	121	37,176,446	14,560,267	22,616,179	155.33%
	<b>1860</b>	<b>\$604,640,317</b>	<b>\$235,050,823</b>	<b>\$369,589,494</b>	<b>157.24%</b>
Projected increase in 2007-08 Secured Values due to Sales:					\$369,589,494
Total Project Area 2006-07 Value:					\$4,659,391,943
Percentage increase in 2007-08 Values due to Sales:					7.93%

<b>TABLE 5b</b>					
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>					
<b>INCREASES IN ASSED VALUE DUE TO RESALES - VICTORVILLE</b>					
<b>Month</b>	<b>Properties Sold</b>	<b>Cumulative Sales Value</b>	<b>Cumulative Presale Value</b>	<b>Increase / (Decrease)</b>	<b>Percentage</b>
January-06	122	\$39,902,818	\$20,157,263	\$19,745,555	97.96%
February-06	115	38,445,273	15,858,229	22,587,044	142.43%
March-06	210	67,882,100	21,881,708	46,000,392	210.22%
April-06	188	68,594,500	21,722,017	46,872,483	215.78%
May-06	191	68,562,200	21,361,728	47,200,472	220.96%
June-06	196	64,433,000	19,193,638	45,239,362	235.70%
July-06	162	50,899,000	18,042,720	32,856,280	182.10%
August-06	148	47,336,549	19,488,627	27,847,922	142.89%
September-06	88	29,450,509	10,649,042	18,801,467	176.56%
	<b>1420</b>	<b>\$475,505,949</b>	<b>\$168,354,972</b>	<b>\$307,150,977</b>	<b>182.44%</b>
Projected increase in 2007-08 Secured Values due to Sales:					\$307,150,977
Total Subarea 2006-07 Value:					\$2,858,551,477
Percentage increase in 2007-08 Values due to Sales:					10.74%

<b>TABLE 5c</b>					
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>					
<b>INCREASES IN ASSED VALUE DUE TO REALES - VICTORVILLE ADDED AREA</b>					
<b>Month</b>	<b>Properties Sold</b>	<b>Cumulative Sales Value</b>	<b>Cumulative Presale Value</b>	<b>Increase / (Decrease)</b>	<b>Percentage</b>
January-06	1	\$34,500	\$3,250	\$31,250	961.54%
February-06	1	88,000	5,034	82,966	1648.11%
March-06	1	15,000	1,337	13,663	1021.91%
April-06	1	175,000	26,520	148,480	559.88%
May-06	0	0	0	0	0.00%
June-06	1	280,000	40,386	239,614	593.31%
July-06	0	0	0	0	0.00%
August-06	0	0	0	0	0.00%
September-06	0	0	0	0	0.00%
	<b>5</b>	<b>\$592,500</b>	<b>\$76,527</b>	<b>\$515,973</b>	<b>674.24%</b>
Projected increase in 2007-08 Secured Values due to Sales:					\$515,973
Total Subarea 2006-07 Value:					\$3,268,194
Percentage increase in 2007-08 Values due to Sales:					15.79%

<b>TABLE 5d</b>					
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>					
<b>INCREASES IN ASSED VALUE DUE TO REALES - SAN BERNARDINO COUNTY</b>					
<b>Month</b>	<b>Properties Sold</b>	<b>Cumulative Sales Value</b>	<b>Cumulative Presale Value</b>	<b>Increase / (Decrease)</b>	<b>Percentage</b>
January-06	5	\$2,556,000	\$281,767	\$2,274,233	807.13%
February-06	2	205,000	40,737	164,263	403.23%
March-06	1	206,000	80,110	125,890	157.15%
April-06	2	235,000	27,575	207,425	752.22%
May-06	2	157,650	185,427	-27,777	-14.98%
June-06	3	208,000	81,411	126,589	155.49%
July-06	3	436,144	208,805	227,339	108.88%
August-06	2	475,000	46,048	428,952	931.53%
September-06	1	10,000	1,369	8,631	630.46%
	<b>21</b>	<b>\$4,488,794</b>	<b>\$953,249</b>	<b>\$3,535,545</b>	<b>370.89%</b>
Projected increase in 2007-08 Secured Values due to Sales:					\$3,535,545
Total Subarea 2006-07 Value:					\$79,759,991
Percentage increase in 2007-08 Values due to Sales:					4.43%

<b>TABLE 5e</b>					
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>					
<b>INCREASES IN ASSED VALUE DUE TO REALES - COUNTY ADDED AREA</b>					
<b>Month</b>	<b>Properties Sold</b>	<b>Cumulative Sales Value</b>	<b>Cumulative Presale Value</b>	<b>Increase / (Decrease)</b>	<b>Percentage</b>
January-06	5	\$480,500	\$110,098	\$370,402	336.43%
February-06	3	150,000	44,219	105,781	239.22%
March-06	2	255,000	193,759	61,241	31.61%
April-06	7	431,091	236,932	194,159	81.95%
May-06	2	308,000	104,112	203,888	195.84%
June-06	4	1,184,000	111,204	1,072,796	964.71%
July-06	1	98,732	75,715	23,017	30.40%
August-06	2	497,000	69,570	427,430	614.39%
September-06	2	85,000	7,901	77,099	975.81%
	<b>28</b>	<b>\$3,489,323</b>	<b>\$953,510</b>	<b>\$2,535,813</b>	<b>265.95%</b>
Projected increase in 2007-08 Secured Values due to Sales:					\$2,535,813
Total Subarea 2006-07 Value:					\$14,956,304
Percentage increase in 2007-08 Values due to Sales:					16.95%

<b>TABLE 5f</b>					
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>					
<b>INCREASES IN ASSED VALUE DUE TO REALES - APPLE VALLEY</b>					
<b>Month</b>	<b>Properties Sold</b>	<b>Cumulative Sales Value</b>	<b>Cumulative Presale Value</b>	<b>Increase / (Decrease)</b>	<b>Percentage</b>
January-06	21	\$5,691,000	\$4,432,489	\$1,258,511	28.39%
February-06	22	7,621,000	5,420,439	2,200,561	40.60%
March-06	31	10,438,500	5,320,611	5,117,889	96.19%
April-06	22	7,468,318	3,998,638	3,469,680	86.77%
May-06	35	12,470,500	6,150,830	6,319,670	102.74%
June-06	38	14,064,000	5,942,525	8,121,475	136.67%
July-06	27	10,626,500	7,324,531	3,301,969	45.08%
August-06	22	8,552,500	5,114,720	3,437,780	67.21%
September-06	20	5,711,937	3,212,081	2,499,856	77.83%
	<b>238</b>	<b>\$82,644,255</b>	<b>\$46,916,864</b>	<b>\$35,727,391</b>	<b>76.15%</b>
Projected increase in 2007-08 Secured Values due to Sales:					\$35,727,391
Total Subarea 2006-07 Value:					\$895,985,936
Percentage increase in 2007-08 Values due to Sales:					3.99%

<b>TABLE 5g</b>					
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>					
<b>INCREASES IN ASSED VALUE DUE TO REALES - HESPERIA</b>					
<b>Month</b>	<b>Properties Sold</b>	<b>Cumulative Sales Value</b>	<b>Cumulative Presale Value</b>	<b>Increase / (Decrease)</b>	<b>Percentage</b>
January-06	9	\$2,464,500	\$1,305,045	\$1,159,455	88.84%
February-06	8	2,369,500	1,089,940	1,279,560	117.40%
March-06	11	3,073,500	1,554,258	1,519,242	97.75%
April-06	19	6,293,000	3,517,997	2,775,003	78.88%
May-06	15	4,470,000	1,888,589	2,581,411	136.68%
June-06	17	5,790,500	3,089,560	2,700,940	87.42%
July-06	13	4,079,741	2,025,818	2,053,923	101.39%
August-06	17	4,371,000	2,131,639	2,239,361	105.05%
September-06	5	1,540,000	579,056	960,944	165.95%
	<b>114</b>	<b>\$34,451,741</b>	<b>\$17,181,902</b>	<b>\$17,269,839</b>	<b>100.51%</b>
Projected increase in 2007-08 Secured Values due to Sales:					\$17,269,839
Total Subarea 2006-07 Value:					\$248,417,705
Percentage increase in 2007-08 Values due to Sales:					6.95%

<b>TABLE 5h</b>					
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>					
<b>INCREASES IN ASSED VALUE DUE TO REALES - ADELANTO</b>					
<b>Month</b>	<b>Properties Sold</b>	<b>Cumulative Sales Value</b>	<b>Cumulative Presale Value</b>	<b>Increase / (Decrease)</b>	<b>Percentage</b>
January-06	4	\$720,000	\$56,804	\$663,196	1167.52%
February-06	3	124,500	29,589	94,911	320.76%
March-06	5	170,500	40,796	129,704	317.93%
April-06	2	28,000	21,635	6,365	29.42%
May-06	3	405,000	90,253	314,747	348.74%
June-06	4	328,000	37,861	290,139	766.33%
July-06	5	1,079,755	201,977	877,778	434.59%
August-06	3	233,000	24,066	208,934	868.17%
September-06	5	379,000	110,818	268,182	242.00%
	<b>34</b>	<b>\$3,467,755</b>	<b>\$613,799</b>	<b>\$2,853,956</b>	<b>464.97%</b>
Projected increase in 2007-08 Secured Values due to Sales:					\$2,853,956
Total Subarea 2006-07 Value:					\$38,241,439
Percentage increase in 2007-08 Values due to Sales:					7.46%

Source: Sales information is derived from MetroScan, and is current through September, 2006. Information is deemed reliable, but is not guaranteed.

No sales occurred in the SCLA portion of the Project Area in 2006. In the Victorville portion, a very strong real estate market generated \$475.5 million in property sales that will increase assessed value by \$307.2 million (a 10.74% increase). For the Combined Project Area, \$604.6 million in property sales will increase assessed value by \$369.6 million (an 7.93% increase).

## New Development

RSG analyzed building permit data for the Victorville portion of the Project Area to project the increase to assessed value due to new development. Table 6 shows the new development in the Victorville portion of the Project Area that was completed in 2006. The assessed value associated with this development will be added to the 2007-08 assessment roll.

<b>Month</b>	<b>New Assessed Value</b>		
	<b>Commercial</b>	<b>Residential</b>	<b>Total</b>
January	\$397,958	\$603,584	\$1,001,542
February	359,000	6,409,634	6,768,634
March	0	11,242,512	11,242,512
April	0	3,670,195	3,670,195
May	633,272	9,892,281	10,525,553
June	434,353	2,956,552	3,390,905
July	1,784,693	4,887,312	6,672,005
August	210,042	1,465,847	1,675,889
September	622,897	1,987,209	2,610,106
October	0	591,473	591,473
November	0	0	0
December	0	0	0
<b>2006 Totals</b>	<b>\$4,442,215</b>	<b>\$43,706,599</b>	<b>\$48,148,814</b>
<b>Total Value Added to 2007-08 Assessment Roll</b>			<b>\$48,148,814</b>
<b>Total 2006-07 Assessed Value</b>			<b>\$4,659,391,943</b>
<b>Percentage Increase Due to New Development</b>			<b>1.03%</b>

Source: City of Victorville

The \$48.1 million of new development the first three quarters of 2006 represents a 1.03% increase in the Project Area assessed value. Note that the assessed value for new development is generally higher than the building permit value. However, to maintain a conservative approach, RSG used the building permit value.

## Assessment Appeals

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

Table 7 presents a summary of the appeals activity in Victorville and SCLA's portion of the Project Area.

<b>TABLE 7</b>					
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>					
<b>ASSESSMENT APPEALS HISTORY</b>					
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Total Appeals on File</b>	25	36	35	19	3
<b>Withdrawn/Late/Denied</b>	15	18	16	5	1
<b>Appeals Stipulated/Reduced</b>	3	3	7	3	0
<b>Appeals Pending</b>	7	15	12	11	2
<b>Resolved Appeals Summary</b>					
<b>Assessor's Original Value</b>	\$19,115,868	\$16,146,338	\$49,342,430	\$1,573,270	\$543,257
<b>Applicant Opinion of Value</b>	<u>\$13,897,619</u>	<u>\$7,012,501</u>	<u>\$17,970,313</u>	<u>\$827,570</u>	<u>\$404,097</u>
<b>Requested Reduction of Value</b>	\$5,218,249	\$9,133,837	\$31,372,117	\$745,700	\$139,160
<b>% Reduction Requested</b>	27.3%	56.6%	63.6%	47.4%	25.6%
<b>Assessor Reduced Value</b>	\$2,976,696	\$1,241,706	\$26,928,749	\$855,349	\$0
<b>% Reduction Granted</b>	15.6%	7.7%	54.6%	54.4%	0.0%
<b>Pending Appeals Summary</b>					
<b>Assessor's Original Value</b>	\$8,873,688	\$36,944,274	\$55,003,289	\$33,114,877	\$549,485
<b>Applicant Opinion of Value</b>	<u>\$3,203,587</u>	<u>\$23,474,930</u>	<u>\$17,277,131</u>	<u>\$21,015,247</u>	<u>\$408,797</u>
<b>Requested Reduction of Value</b>	\$5,670,101	\$13,469,344	\$37,726,158	\$12,099,630	\$140,688
<b>% Reduction Requested</b>	64%	36%	69%	37%	26%
<b>Potential Reductions Summary</b>					
<b>Total Pending Appeals</b>	47				
<b>Pending Appeals Roll Value</b>	\$134,485,613				
<b>Applicant Opinion of Value</b>	<u>\$65,379,692</u>				
<b>Total Requested Reduction of Value</b>	\$69,105,921				
<b>Total Potential Value Loss</b>	\$69,105,921				
<b>Project Area 2006-07 Assessed Value</b>	<u>\$4,659,391,943</u>				
<b>Loss as a % of 2006-07 Assessed Value</b>	1.48%				

Source: San Bernardino County Clerk of the Board of Supervisors

The above table shows that there are 47 unresolved appeals in the Victorville and SCLA portions of the Project Area. These unresolved appeals create a potential loss of \$69.1 million (or 1.48% of the Project

Area Assessed Value). The Tax Increment Projections (Tables 10A-I) do not include any projected reduction due to assessment appeals.

### **Top Ten Taxpayer Appeals**

Eight of the unresolved appeals shown in Table 7 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 8 parcels within the Victorville and SCLA portions of the Project Area as separate appeals on Table 7 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 \$12.6 million of Assessed Value if the value of each parcel is reduced by the assumed factor. As this only represents 0.3% of the Assessed Value in the Project Area, RSG did not project any reduction in Assessed Value due to appeals.

Additionally, there are two unresolved appeals for General Electric (the fifth largest taxpayer overall), one filed in 2004 and one filed in 2005. The 2004 appeal requests a total reduction of \$17.7 million. The 2005 appeal requests a total reduction of \$1.9 million. While this does represent nearly all of General Electric’s value in the Project Area, it is still only 0.4% of the Project Area Assessed Value.

### **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. High Desert alleges five causes of action.

The first cause of action challenges 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. We do not regard this cause of action as meritorious.



The second through the fifth causes of action all challenge the assessed valuation of the power plant. These causes of action are summarily alleged with no underlying facts specified. The second cause of action claims that the Board's valuation methodology was wrong for various reasons, including the use of an incorrect "replacement cost new value indicator," the failure to consider obsolescence, the failure to consider the risk of new technology, the use of an improper land value, and other matters. The third cause of action claims there was no substantive evidence to support the Board's valuation. The fourth cause of action claims discriminatory taxation based upon the application of a different method of taxing than that applied to other taxpayers similarly situated. The fifth cause of action claims that the Board's valuation does not represent fair market value. Though not precisely alleged, presumably HDPT will at trial again contend that the correct value of the power plant was only \$224,471,394. Agency legal counsel contends that the State Board's valuation was correct or perhaps even low.

There are currently no outstanding assessment appeals on this property.

### **County Collections/Delinquencies**

The Agency 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 the Agency'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.

## **Tax Increment Revenue Sharing Agreements**

### **Taxing Entity Payments**

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

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

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

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

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

#### **CRL Section 33607.5 Payments**

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

### **Distribution of Tax Increment**

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

instead 50% to GAFB parcels, 25% to Adelanto territory and 25% to reimburse VVEDA for prior expenses and when this is repaid, this 25% goes to Adelanto.

#### **Amendment No. 6 Affordable Housing Fund Deferral**

Amendment No. 6 to the Redevelopment Plan will provide VVEDA an opportunity, for a period of five years, to allocate funds that otherwise had to be allocated to the low and moderate income housing (“affordable housing”) fund instead for use on non-affordable-housing related projects. Although this may result in less funding for affordable housing during the Deferral Period, Pledged Tax Revenues with respect to the affordable housing portion of existing and future bonds will not be materially reduced because debt service on all bonds is a senior lien on tax increment revenue. Likewise, although this may result in less funding to the non-affordable-housing fund during the Repayment Period, Pledged Tax Revenues with respect to the non-affordable-housing portion of existing and future bonds will not be materially reduced because debt service on all existing bonds is a senior lien on tax increment revenue. Because of the senior lien position, any transfer of affordable housing funds to the non-housing funds must occur after sufficient tax increment has annually been allocated to pay debt service on existing bonds, and repayment of the deferred amount must occur after sufficient tax increment has annually been allocated to pay debt service on existing bonds.

#### **Education Revenue Augmentation Fund Payments**

During 2004-05 adopted State legislation required redevelopment agencies to make payments to the Educational Revenue Augmentation Fund (“ERAF”). The total state-wide ERAF payment for redevelopment agencies for fiscal years 2004-05 and 2005-06 is \$250 million per year. VVEDA’s portion of this payment for 2005-06 is \$646,940. Dividing this payment proportionately by total assessed value, RSG projects SCLA’s portion of the ERAF payments to be \$93,647 and Victorville’s portion to be \$374,846. RSG assumes that the ERAF payment will be paid using existing funds or supplemental revenue and therefore Tables 10A-F do not include the ERAF payment.

#### **Pass Through Payments**

Table 8 presents a summary of the pass through payments and tax increment distribution requirements.

**TABLE 8**

**SUMMARY OF AGREEMENT TERMS**

<p><i>Pursuant to Section 703 of Plan</i></p> <p><b>Taxing Entities excluded from Tax Increment definition:</b> Apple Valley Fire Protection District (WF01) Mojave Water Agency (WY20) Baldy Mesa County Water District (WW05) Mojave River County Water District (VW02) Apple Valley Park District (VP01) Hesperia Park District (VP02)</p> <p><b>City Member Share to VVEDA use (Section 703(b)(1)(a))</b> Victorville - 5.2935% to VVEDA from increment generated within its boundaries Apple Valley - same Hesperia - same <i>This means that the remainder of each city's 1% share gets passed through to the City</i></p> <p><b>County of San Bernardino</b> 5.2935% to VVEDA from increment generated in unincorporated areas <b>AND</b> 5.2935% to VVEDA from municipally incorporated areas</p>
<p><i>Pursuant to School Pass Thru Agreements</i></p> <p>Tax Increment excludes over-ride rates, unitary utility revenue, State subventions (Homeowner)</p> <p>Low/mod is not deducted prior to calculation of payment</p> <p>Districts get 32.5% of their share (except Supt of Schools)- may deposit into Dist Capital Fund held by VVEDA Supt of Schools gets 100% of their share If deposits not made within 30 Days of receipt, interest rate of 1% per 30 day period</p> <p>Payments shall not be subordinate to VVEDA bonds &amp; indebtedness</p>
<p><i>Pursuant to JPA Agreement</i></p> <p>All GAFB generated Tax Increment for use on GAFB with understanding that Victorville will set aside 20% thereof for low/mod</p> <p><i>97/98 &amp; 98/99 increment be used on GAFB (no longer applicable)</i></p> <p>20% of Each Part Jur TI allocated for low/mod - and allocated to each Member to be used in its own portion of the PA</p> <p>Remaining Balance of Each Participating Jurisdictions' Tax Increment: 40% allocated for use in such Members Territory 40% allocated for use on GAFB parcels 20% placed into separate reimbursement fund to pay Prior Contributions and once paid, to pay reimburse Member Contributions Once Prior &amp; Member Contributions are reimbursed, then TI is 50%:50% GAFB:Member</p> <p>For Adelanto, 50% to GAFB: 25% to Adelanto territory: 25% reimburse Authority and when paid off, this 25% goes to Adelanto</p>

## Developer Agreement Payments

Based on discussions with SCLA staff, it has been determined that SCLA has not entered into any disposition and development agreements or owner participation agreements that require SCLA to make payments from tax increment revenue.

## Top Ten Taxpayers

Using the County's 2006-07 Secured Roll, the top ten largest taxpayers within the Project Area as well as in each member agency's jurisdiction have been identified and are listed on Tables 9a-g below. Table 9a shows the top ten taxpayers for the combined Project Area. Table 9b shows the top ten taxpayers for the Victorville and SCLA Project Areas. The remaining tables show the top ten taxpayers for each individual subarea.

<b>TABLE 9a</b>				
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>				
<b>TOP TEN TAXPAYERS - COMBINED</b>				
	<b>Owner Name</b>	<b># of Parcels</b>	<b>Total Assessed Value</b>	<b>% of Total</b>
1	High Desert Power Trust	1	\$470,600,000	10.10%
2	Cemex California Cement LLC	19	52,914,462	1.14%
3	Riverside Cement Co.	28	50,746,569	1.09%
4	Apple Valley Ranchos Water Co.	6	30,480,766	0.65%
5	General Electric Co.	1	24,630,486	0.53%
6	Empire Homes	88	19,646,011	0.42%
7	Lowe's HIW Inc.	1	18,553,962	0.40%
8	Bear Valley Partners LP	11	15,865,909	0.34%
9	KB Home	276	13,859,859	0.30%
10	Western Land Properties	4	12,476,130	0.27%
			<u>\$709,774,154</u>	<u>15.23%</u>
	<b>2006-07 Total Assessed Value</b>		<b>\$4,659,391,943</b>	

<b>TABLE 9b</b>				
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>				
<b>TOP TEN TAXPAYERS - VICTORVILLE AND SCLA PORTIONS</b>				
	<b>Owner Name</b>	<b># of Parcels</b>	<b>Total Assessed Value</b>	<b>% of Total</b>
1	High Desert Power Trust	1	\$470,600,000	13.93%
2	Cemex California Cement LLC	9	52,710,162	1.56%
3	General Electric Company	1	20,461,547	0.61%
4	Lowe's H I W Inc.	1	18,553,962	0.55%
5	Bear Valley Partners LP	11	15,865,909	0.47%
6	KB Home	276	13,859,859	0.41%
7	Centex Homes	9	11,362,500	0.34%
8	Victorville 200 LTD	1	10,946,502	0.32%
9	Glen L. Ludwig Trust	41	10,885,483	0.32%
10	Greentree Capital LP	2	10,423,768	0.31%
			<u>\$635,669,692</u>	<u>18.81%</u>
	<b>2006-07 Victorville and SCLA Assessed Value</b>		<b>\$3,378,762,374</b>	

<b>TABLE 9c</b>				
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>				
<b>TOP TEN TAXPAYERS - VICTORVILLE PORTION</b>				
	<b>Owner Name</b>	<b># of Parcels</b>	<b>Total Assessed Value</b>	<b>% of Total</b>
1	Cemex California Cement LLC	9	\$52,710,162	1.84%
2	Empire Homes	88	19,646,011	0.69%
3	Lowe's H I W Inc.	1	18,553,962	0.65%
4	Bear Valley Partners LP	11	15,865,909	0.56%
5	KB Home	276	13,859,859	0.48%
6	Centex Homes	9	11,362,500	0.40%
7	Victorville 200 LTD	1	10,946,502	0.38%
8	Glen L. Ludwig Trust	41	10,885,483	0.38%
9	Greentree Capital LP	2	10,423,768	0.36%
10	Lakritz Family Partnership	2	8,718,552	0.30%
			<u>\$172,972,708</u>	<u>6.05%</u>
	<b>2006-07 Total Assessed Value</b>		<b>\$2,858,551,477</b>	

Note: This table covers both the original and added area for Victorville.

<b>TABLE 9d</b>				
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>				
<b>TOP TEN TAXPAYERS - SCLA PORTION</b>				
	<b>Owner Name</b>	<b># of Parcels</b>	<b>Total Assessed Value</b>	<b>% of Total</b>
1	High Desert Power Trust	1	\$470,600,000	90.46%
2	General Electric Company	1	24,630,486	4.73%
3	Southern California Aviation LLC	1	5,418,268	1.04%
4	Sumiden Wire Products Corp.	1	3,000,000	0.58%
5	McDonnell Douglas Corporation	1	2,208,994	0.42%
6	Victorville Aerospace LLC	1	1,539,100	0.30%
7	Leading Edge Aviation Services	1	1,530,000	0.29%
8	May Manufacturing	1	1,199,789	0.23%
9	Pacific Aviation Group	1	1,144,037	0.22%
10	ATA Airlines	1	877,527	0.17%
			<u>\$512,148,201</u>	<u>98.45%</u>
	<b>2006-07 Total Assessed Value</b>		<b>\$520,210,897</b>	

<b>TABLE 9e</b>				
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>				
<b>TOP TEN TAXPAYERS - SAN BERNARDINO COUNTY PORTION</b>				
	<b>Owner Name</b>	<b># of Parcels</b>	<b>Total Assessed Value</b>	<b>% of Total</b>
1	Riverside Cement Company	18	\$50,403,339	63.19%
2	Calmat Co.	7	2,125,084	2.66%
3	Riva Capital Holdings Inc.	3	601,571	0.75%
4	Cutting Edge Concrete Svcs Inc.	1	578,888	0.73%
5	Osborne Family Trust	1	540,550	0.68%
6	Season's Land Corporation	9	507,390	0.64%
7	Adelanto 60 Limited Partnership	1	463,246	0.58%
8	Jessica A. Samson	2	450,021	0.56%
9	Thacker Family Limited Partnership	1	447,380	0.56%
10	Steven Bae	1	368,240	0.46%
			<u>\$56,485,709</u>	<u>70.82%</u>
	<b>2006-07 Total Assessed Value</b>		<b>\$79,759,991</b>	

Note: This table covers both the original and added area for San Bernardino County.

<b>TABLE 9f</b>				
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>				
<b>TOP TEN TAXPAYERS - APPLE VALLEY PORTION</b>				
	<b>Owner Name</b>	<b># of Parcels</b>	<b>Total Assessed Value</b>	<b>% of Total</b>
1	Apple Valley Ranchos Water Co.	5	\$30,479,942	3.40%
2	Western Land Properties	4	12,476,130	1.39%
3	Los Ranchos FSPE LLC	3	9,915,012	1.11%
4	American Stores Properties Inc.	1	7,084,468	0.79%
5	Cambridge Homes Inc.	9	5,999,860	0.67%
6	Wal-Mart Stores Inc.	1	5,397,668	0.60%
7	Bearwood Partners	1	4,725,959	0.53%
8	Lakrtiz Family Partnership	3	4,551,000	0.51%
9	K Hovnanian Forecast Homes Inc.	2	4,380,084	0.49%
10	Rancho Manzanita LP	1	3,462,451	0.39%
			<u>\$88,472,574</u>	<u>9.87%</u>
	<b>2006-07 Total Assessed Value</b>		<b>\$895,985,936</b>	

<b>TABLE 9g</b>				
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>				
<b>TOP TEN TAXPAYERS - HESPERIA PORTION</b>				
	<b>Owner Name</b>	<b># of Parcels</b>	<b>Total Assessed Value</b>	<b>% of Total</b>
1	Roger F Graham Trust	1	\$2,713,891	1.09%
2	Garnik Mkrttchyan	4	624,222	0.25%
3	Michael J Bigbee	1	586,578	0.24%
4	Debra J Hart	2	551,820	0.22%
5	Jerald & Sheryl Hane	2	489,600	0.20%
6	Linda J Resendez	1	470,000	0.19%
7	Pedro R Lozano	1	460,000	0.19%
8	David De Alba	1	404,430	0.16%
9	Chris Grieve	1	400,000	0.16%
10	Rosalba Carrasco	1	400,000	0.16%
			<u>\$7,100,541</u>	<u>2.86%</u>
	<b>2006-07 Total Assessed Value</b>		<b>\$248,417,705</b>	



<b>TABLE 9h</b>				
<b>VICTOR VALLEY REDEVELOPMENT PROJECT AREA</b>				
<b>TOP TEN TAXPAYERS - ADELANTO PORTION</b>				
	<b>Owner Name</b>	<b># of Parcels</b>	<b>Total Assessed Value</b>	<b>% of Total</b>
1	LP High Desert Land Co. LLC	22	\$7,101,532	18.57%
2	Winfield Properties LLC	2	2,040,000	5.33%
3	Senafar Investments	1	1,619,903	4.24%
4	LHC High Desert Land LLC	1	900,000	2.35%
5	Frank & Sonja Tanner Trust	2	832,320	2.18%
6	Rancho 106AC LLC	1	816,000	2.13%
7	Northwest Pipe Company	9	598,529	1.57%
8	Berman Family Trust	1	561,000	1.47%
9	Dora Land Inc.	8	553,581	1.45%
10	Season's Land Corp	17	464,165	1.21%
			<b>\$15,487,030</b>	<b>40.50%</b>
<b>2006-07 Total Assessed Value</b>			<b>\$38,241,439</b>	

Source: San Bernardino County Assessor, California State Board of Equalization, MetroScan.

In the Combined Project Area, the top ten taxpayers represent \$710 million or 15.23% of the assessed value in the Project Area. In the Victorville portion of the Project Area, the top ten taxpayers represent \$173 million or 6.05% of the total assessed value. In the SCLA portion, the top ten taxpayers represent \$512 million or 98.45% of the assessed value. The top ten taxpayers in these two areas combined represent \$636 million or 18.81%.

## **Tax Increment Revenue Projections**

Tables 10A-I present 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. Section 2.02 of the agreement provides that, beginning three years from the agreement (2/2004), 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 2006-07 valuation assigned to the power plant is \$470.6 million. This valuation will result in gross property taxes of approximately \$4.7 million; therefore, the net tax increment revenues generated by the power plant starting in 2006-07 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.

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

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

For 2006-07 the total assessed valuation of properties within the Southern California Logistics Airport (“SCLA”) territory is \$520 million. After deduction of the \$7.8 million base year value of the SCLA area, and the \$482.3 million of value associated with the power plant, the remaining \$41.8 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 \$2,103,584,400 in 2005-06 to \$2,858,551,477 in 2006-07, a 35.9% annual growth. Because of the large amount of vacant land and the level of new housing construction occurring within the City of

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

#### ***Future Development***

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

Environmental review for the first phase of the rail project was completed in April 2004. To date, physical construction of the rail spur has been delayed until a formal announcement from BNSF is made, committing the Inter-Modal to SCLA. However, it is estimated that 90% of the rail design and land acquisition for right of way is complete.

In addition to the rail project, California Building Systems has recently completed the construction of two aircraft hangers totaling approximately 175,000 square feet of building space. The first hangar amounts to approximately 75,000 square feet and is occupied by Pratt & Whitney. The second hangar is being occupied by Liberty west, an aviation company specializing in the maintenance, repair and overhaul of aircraft. This second hangar is approximately 100,000 square feet of building space and is large enough to accommodate the new Airbus A-380 aircraft. Two additional hangers totaling approximately 180,000 sq.ft. are currently planned for construction. These two new hangars will permit the expansion of Leading Edge, an aircraft painting company currently under contract to paint the United Airlines and JetBlue fleet.

Stirling Airports International, the master developer for SCLA, has also recently entered into a partnership with Dividend Capital Trust (DCT) who operates as a real estate investment trust (REIT). The partnership is proposing to immediately construct an estimated 1 million sq.ft. of building space on a total of 82-acres as speculative development

to accommodate the expansion and relocation of manufacturing & distribution users.

## **Pledged Revenues**

Only the SCLA and Victorville's portion of tax increment generated from the VVEDA Project Area will be pledged to the payment of debt service on the Bonds. The component parts of the pledge include: SCLA portion, SCLA's 50% portion of the Excess Prior Contribution Fund, Victorville's Non-Housing Participant Share, and Victorville's portion of the Excess Prior Contribution Fund. Table 10A presents a summary of the Total Pledged Revenue.

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

**TABLE 10A**  
**VICTOR VALLEY REDEVELOPMENT PROJECT AREA**  
Tax Increment Projections

**SUMMARY OF ALL VEDA AREAS AND TOTAL PLEDGED REVENUE**

P L A N Y R	YEAR	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW/ MODERATE HOUSING SET ASIDE @ 20% OFTI	LESS ALL PASS THROUGHS (Special Dist, Member Juris, & Schools)	TO MEMBER JURISDICTION	TO SCLA	VVEDA/VICTORVILLE RDA ADDITIONAL PLEDGE			TOTAL NON- HOUSING PLEDGE REVENUE		
							TO PRIOR CONTRIB FUND <sup>1</sup>	TO PRIOR CONTRIB REPAY <sup>1</sup>	50% EXCESS PRIOR CONTRIB TO SCLA		Victorville's Participant Share	Victorville's 50% Excess Prior Contrib
	Base Yr. 93/94											
7	2006-07	28,494,962	5,698,992	7,680,959	4,893,193	7,753,012	2,468,323	0	1,234,162	3,562,303	890,334	13,439,811
8	2007-08	33,604,005	6,720,801	9,077,267	5,940,886	8,867,557	2,996,675	0	1,498,337	4,431,319	1,107,421	15,904,634
9	2008-09	34,637,846	6,927,569	9,357,822	6,135,094	9,121,869	3,094,641	0	1,547,320	4,569,069	1,141,842	16,380,100
10	2009-10	35,692,364	7,138,473	9,643,968	6,333,186	9,381,267	3,194,566	0	1,597,283	4,709,574	1,176,951	16,865,075
11	2010-11	36,767,972	7,353,594	9,938,057	6,534,680	9,644,772	3,295,958	0	1,647,979	4,852,850	1,212,758	17,358,360
12	2011-12	37,865,092	7,573,018	10,238,009	6,740,204	9,913,547	3,399,379	0	1,699,689	4,998,993	1,249,281	17,861,511
13	2012-13	38,984,155	7,796,831	10,543,959	6,949,839	10,187,698	3,504,868	0	1,752,434	5,148,058	1,286,534	18,374,724
14	2013-14	40,125,599	8,025,120	10,856,028	7,163,666	10,467,332	3,612,467	0	1,806,233	5,300,104	1,324,533	18,898,202
15	2014-15	41,289,871	8,257,974	11,174,339	7,381,770	10,752,559	3,722,217	0	1,861,109	5,455,191	1,363,291	19,432,150
16	2015-16	42,477,430	8,495,486	11,499,016	7,604,235	11,043,490	3,834,163	0	1,917,082	5,613,380	1,402,825	19,976,776
17	2016-17	43,688,739	8,737,748	11,830,186	7,831,150	11,340,239	3,948,348	0	1,974,174	5,774,733	1,443,149	20,532,295
18	2017-18	44,924,275	8,984,855	12,167,980	8,028,686	11,642,924	4,064,816	0	2,032,408	5,939,313	1,484,280	21,098,925
19	2018-19	46,184,521	9,236,904	12,512,530	8,298,686	11,951,662	4,183,614	0	2,091,807	6,107,184	1,526,234	21,676,887
20	2019-20	47,469,972	9,493,994	12,863,970	8,539,491	12,266,575	4,304,788	0	2,152,394	6,278,413	1,569,026	22,266,408
21	2020-21	48,781,133	9,756,227	13,222,440	8,785,111	12,587,786	4,428,385	0	2,214,192	6,453,066	1,612,675	22,867,720
22	2021-22	50,118,516	10,023,703	13,588,079	9,035,643	12,915,422	4,554,454	0	2,277,227	6,634,213	1,657,196	23,481,058
23	2022-23	51,482,647	10,296,529	13,961,030	9,291,187	13,249,610	4,683,045	0	2,341,522	6,812,922	1,702,608	24,106,662
24	2023-24	52,874,061	10,574,812	14,341,441	9,551,841	13,590,482	4,814,207	0	2,407,103	6,998,266	1,748,928	24,744,779
25	2024-25	54,293,303	10,858,661	14,729,460	9,817,708	13,938,172	4,947,992	0	2,473,996	7,187,316	1,796,174	25,395,658
26	2025-26	55,740,990	11,148,186	15,125,239	10,088,893	14,292,815	5,084,454	0	2,542,227	7,380,148	1,844,365	26,059,555
27	2026-27	57,217,510	11,443,502	15,528,934	10,365,501	14,654,551	5,223,644	0	2,611,822	7,576,836	1,893,520	26,736,730
28	2027-28	58,723,621	11,744,724	15,940,703	10,647,641	15,023,522	5,365,619	0	2,682,809	7,777,458	1,943,659	27,427,448
29	2028-29	60,259,854	12,051,971	16,360,707	10,935,425	15,399,872	5,510,432	0	2,755,216	7,982,092	1,994,800	28,131,980
30	2029-30	61,826,812	12,365,362	16,789,111	11,228,964	15,783,750	5,658,142	0	2,829,071	8,190,819	2,046,964	28,850,603
31	2030-31	63,425,109	12,685,022	17,228,244	11,527,819	16,174,234	5,808,281	0	2,904,140	8,403,682	2,100,166	29,582,222
32	2031-32	65,055,372	13,011,074	17,676,160	11,832,651	16,572,527	5,961,422	0	2,980,711	8,620,803	2,154,432	30,328,474
33	2032-33	66,718,240	13,343,648	18,133,033	12,143,580	16,978,787	6,117,626	0	3,058,813	8,842,267	2,209,784	31,089,651
34	2033-34	68,414,366	13,682,873	18,599,045	12,460,728	17,393,172	6,276,954	0	3,138,477	9,068,159	2,266,243	31,866,051
35	2034-35	70,144,414	14,028,883	19,074,376	12,784,219	17,815,844	6,439,469	0	3,219,734	9,298,570	2,323,831	32,657,979
36	2035-36	71,909,063	14,381,813	19,559,214	13,114,179	18,246,970	6,605,233	0	3,302,617	9,533,588	2,382,570	33,465,746
37	2036-37	73,709,005	14,741,801	20,053,749	13,450,739	18,686,719	6,774,314	0	3,387,157	9,773,307	2,442,485	34,289,668
38	2037-38	75,544,946	15,108,989	20,558,175	13,794,030	19,135,262	6,946,775	0	3,473,388	10,017,821	2,503,598	35,130,068
39	2038-39	77,417,606	15,483,521	21,072,689	14,144,186	19,592,777	7,122,686	0	3,561,343	10,267,224	2,565,933	35,987,277
40	2039-40	79,327,719	15,865,544	21,597,493	14,501,346	20,059,441	7,302,116	0	3,651,058	10,521,616	2,629,515	36,861,630
41	2040-41	81,276,034	16,255,207	22,132,793	14,865,649	20,535,439	7,485,133	0	3,742,567	10,781,096	2,694,368	37,753,469
42	2041-42	83,263,315	16,652,663	22,678,800	15,237,238	21,020,957	7,671,812	0	3,835,906	11,045,765	2,760,518	38,663,146
43	2042-43	85,290,343	17,058,069	23,235,726	15,616,259	21,516,185	7,862,223	0	3,931,112	11,315,727	2,827,992	39,591,016
44	2043-44	87,357,910	17,471,582	23,803,792	16,002,861	22,021,318	8,056,443	0	4,028,224	11,591,089	2,896,815	40,537,444
45	2044-45	89,466,829	17,893,366	24,383,218	16,397,194	22,536,553	8,254,548	0	4,127,272	11,871,958	2,967,014	41,502,800
	<b>Total</b>	<b>2,260,275,326</b>	<b>452,055,065</b>	<b>613,696,903</b>	<b>408,814,501</b>	<b>579,683,587</b>	<b>205,972,845</b>	<b>0</b>	<b>102,986,422</b>	<b>298,650,994</b>	<b>74,636,536</b>	<b>1,055,957,540</b>

<sup>1</sup>The Agency is going to pay off the prior contribution fund from existing funds and therefore no further pledge of tax increment revenues is required. Per the agreement, revenue that would have gone to the Prior Contribution Fund will instead be split with 50% going to SCLA and 50% going back to the member jurisdiction.

**TABLE 10B**  
**VICTOR VALLEY REDEVELOPMENT PROJECT AREA**  
 Tax Incremental Projections

**VICTORVILLE AREA**

P L A N Y R	1	2	3	4	5	6	7	8	9	10	11
YEAR		SECURED & UNSECURED ASSESSED VALUE * W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	ASSESSED VALUE INCREASE DUE TO NEW DEVELOPMENT	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	=(6 * 20%) LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	=(6 * 27.41%) LESS ALL PASS THROUGHS (Special Dist, Member Juris, & Schools)	=(6 - 7 - 8) * 40%	=(6 - 7 - 8) * 40%	=(6 - 7 - 8) * 20%
BY	1997-98	1,166,037,800	0	0	0	0	0	0	0	0	0
7	2006-07	2,858,551,477	1,692,513,677	16,925,137	16,925,137	3,385,027	4,639,180	3,560,372	3,560,372	3,560,372	1,780,186
8	2007-08	2,915,722,507	2,104,984,498	21,049,845	21,049,845	4,209,969	5,769,763	4,428,045	4,428,045	4,428,045	2,214,023
9	2008-09	3,336,442,743	2,170,404,943	21,704,049	21,704,049	4,340,810	5,949,080	4,565,664	4,565,664	4,565,664	2,282,832
10	2009-10	3,403,171,598	2,237,133,798	22,371,338	22,371,338	4,474,268	6,131,984	4,706,035	4,706,035	4,706,035	2,353,017
11	2010-11	3,471,235,030	2,305,197,230	23,051,972	23,051,972	4,610,394	6,318,546	4,849,213	4,849,213	4,849,213	2,424,606
12	2011-12	3,540,659,731	2,374,621,931	23,746,219	23,746,219	4,749,244	6,508,839	4,995,255	4,995,255	4,995,255	2,497,627
13	2012-13	3,611,472,926	2,445,435,126	24,454,351	24,454,351	4,890,870	6,702,938	5,144,217	5,144,217	5,144,217	2,572,109
14	2013-14	3,683,702,384	2,517,664,584	25,176,646	25,176,646	5,035,329	6,900,919	5,296,159	5,296,159	5,296,159	2,648,080
15	2014-15	3,757,376,432	2,591,338,632	25,913,386	25,913,386	5,182,677	7,102,859	5,451,140	5,451,140	5,451,140	2,725,570
16	2015-16	3,832,523,960	2,666,486,160	26,664,862	26,664,862	5,332,972	7,308,839	5,609,220	5,609,220	5,609,220	2,804,610
17	2016-17	3,909,174,440	2,743,136,640	27,431,366	27,431,366	5,486,273	7,518,938	5,770,462	5,770,462	5,770,462	2,885,231
18	2017-18	3,987,357,928	2,821,320,128	28,213,201	28,213,201	5,642,640	7,733,238	5,934,929	5,934,929	5,934,929	2,967,465
19	2018-19	4,067,105,087	2,901,067,287	29,010,673	29,010,673	5,802,135	7,951,825	6,102,685	6,102,685	6,102,685	3,051,343
20	2019-20	4,148,447,189	2,982,409,389	29,824,094	29,824,094	5,964,819	8,174,784	6,273,796	6,273,796	6,273,796	3,136,898
21	2020-21	4,231,416,132	3,065,378,332	30,653,783	30,653,783	6,130,757	8,402,202	6,448,330	6,448,330	6,448,330	3,224,165
22	2021-22	4,316,044,455	3,150,006,655	31,500,067	31,500,067	6,300,013	8,634,168	6,626,354	6,626,354	6,626,354	3,313,177
23	2022-23	4,402,365,344	3,236,327,544	32,363,275	32,363,275	6,472,655	8,870,774	6,807,939	6,807,939	6,807,939	3,403,969
24	2023-24	4,490,412,651	3,324,374,851	33,243,749	33,243,749	6,648,750	9,112,111	6,993,155	6,993,155	6,993,155	3,496,577
25	2024-25	4,580,220,904	3,414,183,104	34,141,831	34,141,831	6,828,366	9,358,276	7,182,076	7,182,076	7,182,076	3,591,038
26	2025-26	4,671,825,322	3,505,787,522	35,057,875	35,057,875	7,011,575	9,609,364	7,374,775	7,374,775	7,374,775	3,687,387
27	2026-27	4,765,261,829	3,599,224,029	35,992,240	35,992,240	7,198,448	9,865,473	7,571,328	7,571,328	7,571,328	3,785,664
28	2027-28	4,860,567,065	3,694,529,265	36,945,293	36,945,293	7,389,059	10,126,705	7,771,812	7,771,812	7,771,812	3,885,906
29	2028-29	4,957,778,407	3,791,740,607	37,917,406	37,917,406	7,583,481	10,393,161	7,976,306	7,976,306	7,976,306	3,988,153
30	2029-30	5,056,933,975	3,890,896,175	38,908,962	38,908,962	7,781,792	10,664,946	8,184,889	8,184,889	8,184,889	4,092,445
31	2030-31	5,158,072,654	3,992,034,854	39,920,349	39,920,349	7,984,070	10,942,168	8,397,645	8,397,645	8,397,645	4,198,822
32	2031-32	5,261,234,107	4,095,196,307	40,951,963	40,951,963	8,190,393	11,224,933	8,614,655	8,614,655	8,614,655	4,307,327
33	2032-33	5,366,458,789	4,200,420,989	42,004,210	42,004,210	8,400,842	11,513,354	8,836,006	8,836,006	8,836,006	4,418,003
34	2033-34	5,473,787,965	4,307,750,165	43,077,502	43,077,502	8,615,500	11,807,783	9,061,783	9,061,783	9,061,783	4,530,892
35	2034-35	5,583,263,724	4,417,225,924	44,172,259	44,172,259	8,834,452	12,107,616	9,292,076	9,292,076	9,292,076	4,646,038
36	2035-36	5,694,928,999	4,528,891,199	45,288,912	45,288,912	9,057,782	12,413,691	9,526,976	9,526,976	9,526,976	4,763,488
37	2036-37	5,808,827,579	4,642,789,779	46,427,898	46,427,898	9,285,580	12,725,887	9,766,573	9,766,573	9,766,573	4,883,286
38	2037-38	5,925,004,131	4,758,966,331	4,758,966,331	4,758,966,331	9,517,933	13,044,327	10,010,962	10,010,962	10,010,962	5,005,481
39	2038-39	6,043,504,213	4,877,466,413	48,774,664	48,774,664	9,754,933	13,369,135	10,260,238	10,260,238	10,260,238	5,130,119
40	2039-40	6,164,374,297	4,998,336,497	49,983,365	49,983,365	9,996,673	13,700,440	10,514,501	10,514,501	10,514,501	5,257,250
41	2040-41	6,287,661,783	5,121,623,983	51,216,240	51,216,240	10,243,248	14,038,371	10,773,848	10,773,848	10,773,848	5,386,924
42	2041-42	6,413,415,019	5,247,377,219	52,473,772	52,473,772	10,494,754	14,383,661	11,038,383	11,038,383	11,038,383	5,519,191
43	2042-43	6,541,683,319	5,375,645,519	53,756,455	53,756,455	10,751,291	14,734,044	11,308,208	11,308,208	11,308,208	5,654,104
44	2043-44	6,672,516,986	5,506,479,186	55,064,792	55,064,792	11,012,958	15,093,259	11,583,430	11,583,430	11,583,430	5,791,715
45	2044-45	6,805,967,325	5,639,929,525	56,399,295	56,399,295	11,279,859	15,459,047	11,864,156	11,864,156	11,864,156	5,932,078
Total		188,157,906,408	307,150,977	48,148,814	141,871,694,199	1,418,716,942	250,699,280	343,583,363	263,685,503	263,685,503	131,842,751

**TABLE 10C**  
**VICTOR VALLEY REDEVELOPMENT PROJECT AREA**  
 Tax Increment Projections  
**SOUTHERN CALIFORNIA LOGISTICS AIRPORT (SCLA)**

P L A N Y R	1	2	3	4	5	6	8	9	10
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGHS (Special Dist, Member Juris, & Schools) 25.05%	TO SCLA	TO PRIOR CONTRIB FUND 0%
				=(2 + 3 - BY)	=(4 * 1%)	=(5 * 20%)	=(5 * 0.2505)	=(5 - 6 - 7) * 100%	
BY	1997-98	7,854,300		0	0				
7	2006-07	520,210,897		512,356,597	5,123,566	1,024,713	1,283,453	2,815,400	0
8	2007-08	530,615,115	0	522,760,815	5,227,608	1,045,522	1,309,516	2,872,571	0
9	2008-09	541,227,417		533,373,117	5,333,731	1,066,746	1,336,100	2,930,885	0
10	2009-10	552,051,966		544,197,666	5,441,977	1,088,395	1,363,215	2,990,366	0
11	2010-11	563,093,005		555,238,705	5,552,387	1,110,477	1,390,873	3,051,037	0
12	2011-12	574,354,865		566,500,565	5,665,006	1,133,001	1,419,084	3,112,921	0
13	2012-13	585,841,962		577,987,662	5,779,877	1,155,975	1,447,859	3,176,042	0
14	2013-14	597,558,802		589,704,502	5,897,045	1,179,409	1,477,210	3,240,426	0
15	2014-15	609,509,978		601,655,678	6,016,557	1,203,311	1,507,147	3,306,098	0
16	2015-16	621,700,177		613,845,877	6,138,459	1,227,692	1,537,684	3,373,083	0
17	2016-17	634,134,181		626,279,881	6,262,799	1,252,560	1,568,831	3,441,408	0
18	2017-18	646,816,864		638,962,564	6,389,626	1,277,925	1,600,601	3,511,099	0
19	2018-19	659,753,202		651,898,902	6,518,989	1,303,798	1,633,007	3,582,184	0
20	2019-20	672,948,266		665,093,966	6,650,940	1,330,188	1,666,060	3,654,691	0
21	2020-21	686,407,231		678,552,931	6,785,529	1,357,106	1,699,775	3,728,648	0
22	2021-22	700,135,376		692,281,076	6,922,811	1,384,562	1,734,164	3,804,085	0
23	2022-23	714,138,083		706,283,783	7,062,838	1,412,568	1,769,241	3,881,029	0
24	2023-24	728,420,845		720,566,545	7,205,665	1,441,133	1,805,019	3,959,513	0
25	2024-25	742,989,262		735,134,962	7,351,350	1,470,270	1,841,513	4,039,567	0
26	2025-26	757,849,047		749,994,747	7,499,947	1,499,989	1,878,737	4,121,221	0
27	2026-27	773,006,028		765,151,728	7,651,517	1,530,303	1,916,705	4,204,509	0
28	2027-28	788,466,148		780,611,848	7,806,118	1,561,224	1,955,433	4,289,462	0
29	2028-29	804,235,471		796,381,171	7,963,812	1,592,762	1,994,935	4,376,115	0
30	2029-30	820,320,181		812,465,881	8,124,659	1,624,932	2,035,227	4,464,500	0
31	2030-31	836,726,584		828,872,284	8,288,723	1,657,745	2,076,325	4,554,653	0
32	2031-32	853,461,116		845,606,816	8,456,068	1,691,214	2,118,245	4,646,609	0
33	2032-33	870,530,338		862,676,038	8,626,760	1,725,352	2,161,003	4,740,405	0
34	2033-34	887,940,945		880,086,645	8,800,866	1,760,173	2,204,617	4,836,076	0
35	2034-35	905,699,764		897,845,464	8,978,455	1,795,691	2,249,103	4,933,661	0
36	2035-36	923,813,759		915,959,459	9,159,595	1,831,919	2,294,478	5,033,197	0
37	2036-37	942,290,034		934,435,734	9,344,357	1,868,871	2,340,762	5,134,724	0
38	2037-38	961,135,835		953,281,535	9,532,815	1,906,563	2,387,970	5,238,282	0
39	2038-39	980,358,552		972,504,252	9,725,043	1,945,009	2,436,123	5,343,911	0
40	2039-40	999,965,723		992,111,423	9,921,114	1,984,223	2,485,239	5,451,652	0
41	2040-41	1,019,965,037		1,012,110,737	10,121,107	2,024,221	2,535,337	5,561,549	0
42	2041-42	1,040,364,338		1,032,510,038	10,325,100	2,065,020	2,586,438	5,673,643	0
43	2042-43	1,061,171,625		1,053,317,325	10,533,173	2,106,635	2,638,560	5,787,979	0
44	2043-44	1,082,395,057		1,074,540,757	10,745,408	2,149,082	2,691,725	5,904,601	0
45	2044-45	1,104,042,958		1,096,188,658	10,961,887	2,192,377	2,745,953	6,023,557	0
Total		31,905,047,768	0	31,551,604,288	315,516,043	63,103,209	79,036,769	173,376,065	0

**TABLE 10D**  
**VICTOR VALLEY REDEVELOPMENT PROJECT AREA**

Tax Increment Projections

**SAN BERNARDINO COUNTY AREA**

P L A N Y R	1	2	3	4	5	6	7	8	9	10
YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL THROUGHS (Special Dist, Member Juris, & Schools)	MEMBER JURIS- DICTIONS	TO SCLA	TO PRIOR CONTRIBUT FUND	
<b>BY</b>	<b>1997-98</b>	<b>51,724,800</b>	<b>0</b>	<b>0</b>	<b>0</b>					
7	2006-07	79,759,991		28,035,191	280,352	56,070	75,695	59,435	59,435	29,717
8	2007-08	81,355,191	3,535,545	33,165,936	331,659	66,332	89,548	70,312	70,312	35,156
9	2008-09	86,588,551		34,863,751	348,638	69,728	94,132	73,911	73,911	36,956
10	2009-10	88,320,322		36,595,522	365,955	73,191	98,808	77,583	77,583	38,791
11	2010-11	90,086,728		38,361,928	383,619	76,724	103,577	81,327	81,327	40,664
12	2011-12	91,888,463		40,163,663	401,637	80,327	108,442	85,147	85,147	42,573
13	2012-13	93,726,232		42,001,432	420,014	84,003	113,404	89,043	89,043	44,522
14	2013-14	95,600,756		43,875,956	438,760	87,752	118,465	93,017	93,017	46,509
15	2014-15	97,512,772		45,787,972	457,880	91,576	123,628	97,070	97,070	48,535
16	2015-16	99,463,027		47,738,227	477,382	95,476	128,893	101,205	101,205	50,603
17	2016-17	101,452,288		49,727,488	497,275	99,455	134,264	105,422	105,422	52,711
19	2018-19	105,550,960		53,826,160	538,262	107,652	145,331	114,111	114,111	57,056
20	2019-20	107,661,979		55,937,179	559,372	111,874	151,030	118,587	118,587	59,293
21	2020-21	109,815,219		58,090,419	580,904	116,181	156,844	123,152	123,152	61,576
22	2021-22	112,011,523		60,286,723	602,867	120,573	162,774	127,808	127,808	63,904
23	2022-23	114,251,754		62,526,954	625,270	125,054	168,823	132,557	132,557	66,279
24	2023-24	116,536,789		64,811,989	648,120	129,624	174,992	137,401	137,401	68,701
25	2024-25	118,867,524		67,142,724	671,427	134,285	181,285	142,343	142,343	71,171
26	2025-26	121,244,875		69,520,075	695,201	139,040	187,704	147,383	147,383	73,691
27	2026-27	123,669,772		71,944,972	719,450	143,890	194,251	152,523	152,523	76,262
28	2027-28	126,143,168		74,418,368	744,184	148,837	200,930	157,767	157,767	78,863
29	2028-29	128,666,031		76,941,231	769,412	153,882	207,741	163,115	163,115	81,558
30	2029-30	131,239,352		79,514,552	795,146	159,029	214,689	168,571	168,571	84,285
31	2030-31	133,864,139		82,139,339	821,393	164,279	221,776	174,135	174,135	87,068
32	2031-32	136,541,422		84,816,622	848,166	169,633	229,005	179,811	179,811	89,906
33	2032-33	139,272,250		87,547,450	875,475	175,095	236,378	185,601	185,601	92,800
34	2033-34	142,057,695		90,332,895	903,329	180,666	243,899	191,506	191,506	95,753
35	2034-35	144,898,849		93,174,049	931,740	186,348	251,570	197,529	197,529	98,764
36	2035-36	147,796,826		96,072,026	960,720	192,144	259,394	203,673	203,673	101,836
37	2036-37	150,752,762		99,027,962	990,280	198,056	267,375	209,939	209,939	104,970
38	2037-38	153,767,818		102,043,018	1,020,430	204,086	275,516	216,331	216,331	108,166
39	2038-39	156,843,174		105,118,374	1,051,184	210,237	283,280	222,851	222,851	111,425
40	2039-40	159,980,038		108,255,238	1,082,552	216,510	292,289	229,501	229,501	114,751
41	2040-41	163,179,638		111,454,838	1,114,548	222,910	300,928	236,284	236,284	118,142
42	2041-42	166,443,231		114,718,431	1,147,184	229,437	309,740	243,203	243,203	121,602
43	2042-43	169,772,096		118,047,296	1,180,473	236,095	318,728	250,260	250,260	125,130
44	2043-44	173,167,538		121,442,738	1,214,427	242,885	327,895	257,459	257,459	128,729
45	2044-45	176,630,888		124,906,088	1,249,061	249,812	337,246	264,801	264,801	132,400
<b>Total</b>		<b>4,915,896,061</b>	<b>3,535,545</b>	<b>2,850,439,606</b>	<b>28,504,396</b>	<b>5,700,879</b>	<b>7,696,187</b>	<b>6,042,932</b>	<b>6,042,932</b>	<b>3,021,466</b>



TABLE 10E

VICTOR VALLEY REDEVELOPMENT PROJECT AREA

Tax Increment Projections

APPLE VALLEY AREA

P L A N Y R	1	2	3	4	5	6	7	8	9	10	
		SECURED & ASSESSED VALUE	ASSESSED INCREASE DUE TO SALES	TOTAL ASSESSED VALUE	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL THROUGHTS (Special Dist, Member Juris, & Schools) 27.00%	TO MEMBER JURIS- DICTIONS 40%	TO SCLA 40%	TO PRIOR CONTRIB FUND 20%
		W/ GROWTH @ 2.00%		(=2+3)	(=3+ -BY)	(=4 * 1%)	(=5 * 20%)	(=5 * 0.27)	(=4 - 5 - 6)*40%	(=4 - 5 - 6)*40%	(=4 - 5 - 6)*20%
BY	1997-98	436,031,300		436,031,300	0	0					
7	2006-07	895,985,936		895,985,936	459,954,636	4,599,546	919,909	1,241,878	975,104	975,104	487,552
8	2007-08	913,905,655	35,727,391	949,633,046	513,601,746	5,136,017	1,027,203	1,386,725	1,088,836	1,088,836	544,418
9	2008-09	968,625,707		968,625,707	532,594,407	5,325,944	1,065,189	1,438,005	1,129,100	1,129,100	564,550
10	2009-10	987,998,221		987,998,221	551,966,921	5,519,669	1,103,934	1,490,311	1,170,170	1,170,170	585,085
11	2010-11	1,007,758,185		1,007,758,185	571,726,885	5,717,269	1,143,454	1,543,663	1,212,061	1,212,061	606,030
12	2011-12	1,027,913,349		1,027,913,349	591,882,049	5,918,820	1,183,764	1,598,082	1,254,790	1,254,790	627,395
13	2012-13	1,048,471,616		1,048,471,616	612,440,316	6,124,403	1,224,881	1,653,589	1,298,373	1,298,373	649,187
14	2013-14	1,069,441,048		1,069,441,048	633,409,748	6,334,097	1,266,819	1,710,206	1,342,829	1,342,829	671,414
15	2014-15	1,090,829,869		1,090,829,869	654,798,569	6,547,986	1,309,597	1,767,956	1,388,173	1,388,173	694,086
16	2015-16	1,112,646,467		1,112,646,467	676,615,167	6,766,152	1,353,230	1,826,861	1,434,424	1,434,424	717,212
17	2016-17	1,134,899,396		1,134,899,396	698,868,096	6,988,681	1,397,736	1,886,944	1,481,600	1,481,600	740,800
18	2017-18	1,157,597,384		1,157,597,384	721,566,084	7,215,661	1,443,132	1,948,228	1,529,720	1,529,720	764,860
19	2018-19	1,180,749,331		1,180,749,331	744,718,031	7,447,180	1,489,436	2,010,739	1,578,802	1,578,802	789,401
20	2019-20	1,204,364,318		1,204,364,318	768,333,018	7,683,330	1,536,666	2,074,499	1,628,866	1,628,866	814,433
21	2020-21	1,228,451,604		1,228,451,604	792,420,304	7,924,203	1,584,841	2,139,535	1,679,931	1,679,931	839,966
22	2021-22	1,253,020,637		1,253,020,637	816,989,337	8,169,893	1,633,979	2,205,871	1,732,017	1,732,017	866,009
23	2022-23	1,278,081,049		1,278,081,049	842,049,749	8,420,497	1,684,099	2,273,534	1,785,145	1,785,145	892,573
24	2023-24	1,303,642,670		1,303,642,670	867,611,370	8,676,114	1,735,223	2,347,611	1,839,336	1,839,336	919,668
25	2024-25	1,329,715,524		1,329,715,524	893,684,224	8,936,842	1,787,368	2,412,947	1,894,611	1,894,611	947,305
26	2025-26	1,356,309,834		1,356,309,834	920,278,534	9,202,785	1,840,557	2,484,752	1,950,990	1,950,990	975,495
27	2026-27	1,383,436,031		1,383,436,031	947,404,731	9,474,047	1,894,809	2,557,993	2,008,498	2,008,498	1,004,249
28	2027-28	1,411,104,751		1,411,104,751	975,073,451	9,750,735	1,950,147	2,632,698	2,067,156	2,067,156	1,033,578
29	2028-29	1,439,326,846		1,439,326,846	1,003,295,546	10,032,955	2,006,591	2,708,898	2,126,987	2,126,987	1,063,493
30	2029-30	1,468,113,383		1,468,113,383	1,032,082,083	10,320,821	2,064,164	2,786,622	2,188,014	2,188,014	1,094,007
31	2030-31	1,497,475,651		1,497,475,651	1,061,444,351	10,614,444	2,122,889	2,865,900	2,250,262	2,250,262	1,125,131
32	2031-32	1,527,425,164		1,527,425,164	1,091,393,864	10,913,939	2,182,788	2,946,763	2,313,755	2,313,755	1,156,877
33	2032-33	1,557,973,667		1,557,973,667	1,121,942,367	11,219,424	2,243,885	3,029,244	2,378,518	2,378,518	1,189,259
34	2033-34	1,589,133,141		1,589,133,141	1,153,101,841	11,531,018	2,306,204	3,113,375	2,444,576	2,444,576	1,222,288
35	2034-35	1,620,915,804		1,620,915,804	1,184,884,504	11,848,845	2,369,769	3,199,188	2,511,955	2,511,955	1,255,978
36	2035-36	1,653,334,120		1,653,334,120	1,217,302,820	12,173,028	2,434,606	3,286,718	2,580,682	2,580,682	1,290,341
37	2036-37	1,686,400,802		1,686,400,802	1,250,369,502	12,503,695	2,500,739	3,375,998	2,650,783	2,650,783	1,325,392
38	2037-38	1,720,128,818		1,720,128,818	1,284,097,518	12,840,975	2,568,195	3,467,063	2,722,287	2,722,287	1,361,143
39	2038-39	1,754,531,394		1,754,531,394	1,318,500,094	13,185,001	2,637,000	3,559,950	2,795,220	2,795,220	1,397,610
40	2039-40	1,789,622,022		1,789,622,022	1,353,590,722	13,535,907	2,707,181	3,654,695	2,869,612	2,869,612	1,434,806
41	2040-41	1,825,414,463		1,825,414,463	1,389,383,163	13,893,832	2,778,766	3,751,335	2,945,492	2,945,492	1,472,746
42	2041-42	1,861,922,752		1,861,922,752	1,425,891,452	14,258,915	2,851,783	3,849,907	3,022,890	3,022,890	1,511,445
43	2042-43	1,899,161,207		1,899,161,207	1,463,129,907	14,631,299	2,926,226	3,950,451	3,101,835	3,101,835	1,550,918
44	2043-44	1,937,144,431		1,937,144,431	1,501,113,131	15,011,131	3,002,226	4,053,005	3,182,360	3,182,360	1,591,180
45	2044-45	1,975,887,320		1,975,887,320	1,539,856,020	15,398,560	3,079,712	4,157,611	3,264,495	3,264,495	1,632,247
Total		54,868,545,767	35,727,391	54,904,273,158	37,463,021,158	374,630,212	74,926,042	101,150,157	79,421,605	79,421,605	39,710,802

**TABLE 10F**  
**VICTOR VALLEY REDEVELOPMENT PROJECT AREA**  
 Tax Increment Projections

**HESPERIA AREA**

P L N Y R	1	2	3	4	5	6	7	8	9	10
YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGHS (Special Dist, Member Juris, & Schools)	MEMBER JURIS- DICTIONS	TO SCLA	TO PRIOR CONTRIB FUND	
BY										
7	122,199,200	0	0	1,262,185	252,437	379,918	251,932	251,932	251,932	125,966
8	248,417,705	126,218,508	126,218,508	1,484,567	296,913	446,855	296,320	296,320	296,320	148,160
9	253,386,059	17,269,839	148,456,698	1,538,698	307,740	463,148	307,124	307,124	307,124	153,562
10	276,069,016		153,869,816	1,593,912	318,782	479,768	318,145	318,145	318,145	159,072
11	281,590,396		159,391,196	1,650,230	330,046	496,719	329,386	329,386	329,386	164,693
12	287,222,204		165,023,004	1,707,674	341,535	514,010	340,852	340,852	340,852	170,426
13	292,966,648		170,767,448	1,766,268	353,254	531,647	352,547	352,547	352,547	176,274
14	298,825,981		176,626,781	1,826,033	365,207	549,636	364,476	364,476	364,476	182,238
15	304,802,501		182,603,301	1,886,994	377,399	567,985	376,644	376,644	376,644	188,322
16	310,898,551		188,699,351	1,949,173	389,835	586,701	389,055	389,055	389,055	194,527
17	317,116,522		194,917,322	2,012,597	402,519	605,792	401,714	401,714	401,714	200,857
18	323,458,852		201,259,652	2,077,288	415,458	625,284	414,627	414,627	414,627	207,313
19	329,928,030		207,728,830	2,143,274	428,655	645,125	427,797	427,797	427,797	213,899
20	333,257,122		221,057,922	2,210,579	442,116	665,384	441,232	441,232	441,232	220,616
21	350,122,264		227,923,064	2,279,231	455,846	686,048	454,934	454,934	454,934	227,467
22	357,124,710		234,925,510	2,349,255	469,851	707,126	468,911	468,911	468,911	234,456
23	364,267,204		242,068,004	2,420,680	484,136	728,625	483,168	483,168	483,168	241,584
24	371,552,548		249,353,348	2,493,533	498,707	750,554	497,709	497,709	497,709	248,855
25	378,983,599		256,784,399	2,567,844	513,569	772,921	512,542	512,542	512,542	256,271
26	386,563,271		264,364,071	2,643,641	528,728	795,736	527,671	527,671	527,671	263,835
27	394,294,536		272,095,336	2,720,953	544,191	819,007	543,102	543,102	543,102	271,551
28	402,180,427		279,981,227	2,799,812	559,962	842,743	558,843	558,843	558,843	279,421
29	410,224,036		288,024,836	2,880,248	576,050	866,955	574,898	574,898	574,898	287,449
30	418,428,516		296,229,316	2,962,293	592,459	891,650	591,274	591,274	591,274	295,637
31	426,797,087		304,597,887	3,045,979	609,196	916,840	607,977	607,977	607,977	303,989
32	435,333,028		313,133,828	3,131,338	626,268	942,533	625,015	625,015	625,015	312,508
33	444,039,689		321,840,489	3,218,405	643,681	968,740	642,394	642,394	642,394	321,197
34	452,920,483		330,721,283	3,307,213	661,443	995,471	660,120	660,120	660,120	330,060
35	461,978,892		339,779,692	3,397,797	679,559	1,022,737	678,200	678,200	678,200	339,100
36	471,218,470		349,019,270	3,490,193	698,039	1,050,548	696,642	696,642	696,642	348,321
37	480,642,840		358,443,640	3,584,436	716,887	1,078,915	715,454	715,454	715,454	357,727
38	490,255,696		368,056,496	3,680,565	736,113	1,107,850	734,641	734,641	734,641	367,320
39	500,060,810		377,861,610	3,778,616	755,723	1,137,363	754,212	754,212	754,212	377,106
40	510,062,026		387,862,826	3,878,628	775,726	1,167,467	774,174	774,174	774,174	387,087
41	520,263,267		398,064,067	3,980,641	796,128	1,198,173	794,536	794,536	794,536	397,268
42	530,668,532		408,469,332	4,084,693	816,939	1,229,493	815,305	815,305	815,305	407,652
43	541,281,903		419,082,703	4,190,827	836,165	1,261,439	836,489	836,489	836,489	418,245
44	552,107,541		429,908,341	4,299,083	859,817	1,294,024	858,097	858,097	858,097	429,049
45	563,149,692		440,950,492	4,409,505	881,901	1,327,261	880,137	880,137	880,137	440,069
<b>Total</b>	15,623,670,746	17,269,839	10,752,972,585	107,529,726	21,505,945	32,366,447	21,462,933	21,462,933	21,462,933	10,731,467

**TABLE 10G**  
**VICTOR VALLEY REDEVELOPMENT PROJECT AREA**

Tax Increment Projections

**ADELANTO AREA**

P L A N Y R	1	2	3	4	5	6	7	8	9	10
		SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGH (Statutory)	TO MEMBER JURISDICTIONS	TO SCLA	TO PRIOR CONTRIB FUND 25%
BY					$= (4 * 1\%)$	$= (5 * 20\%)$	$= (5 * 0.2)$	$= (4 - 5 - 6) * 40\%$	$= (4 - 5 - 6) * 40\%$	$= (4 - 5 - 6) * 20\%$
7	1997-98	14,452,400		0	0	47,578	47,578	35,684	71,367	35,684
8	2006-07	38,241,439		23,789,039	237,890	54,816	54,816	41,112	82,223	41,112
9	2007-08	39,006,268	2,853,956	27,407,824	274,078	56,490	56,490	42,368	84,735	42,368
10	2008-09	42,697,428		28,245,028	282,450	58,198	58,198	43,648	87,297	43,648
11	2009-10	43,551,377		29,098,977	290,990	59,940	59,940	44,589	89,178	44,589
12	2010-11	44,422,404		29,970,004	299,700	61,717	61,717	45,549	91,097	45,549
13	2011-12	45,310,852		30,858,452	308,585	63,529	63,529	46,527	93,055	46,527
14	2012-13	46,217,069		31,764,669	317,647	65,378	65,378	47,526	95,051	47,526
15	2013-14	47,141,411		32,689,011	326,890	67,264	67,264	48,544	97,088	48,544
16	2014-15	48,084,239		33,631,839	336,318	69,187	69,187	49,583	99,165	49,583
17	2015-16	49,045,924		34,593,524	345,935	71,149	71,149	50,642	101,284	50,642
18	2016-17	50,026,842		35,574,442	355,744	73,150	73,150	51,723	103,445	51,723
19	2017-18	51,027,379		36,574,979	365,750	75,191	75,191	52,825	105,649	52,825
20	2018-19	52,047,927		37,595,527	375,955	77,273	77,273	53,949	107,898	53,949
21	2019-20	53,088,885		38,636,485	386,365	79,397	79,397	55,096	110,191	55,096
22	2020-21	54,150,663		39,698,263	396,983	81,563	81,563	56,265	112,531	56,265
23	2021-22	55,233,676		40,781,276	407,813	83,772	83,772	57,458	114,917	57,458
24	2022-23	56,338,350		41,885,950	418,859	86,025	86,025	58,675	117,351	58,675
25	2023-24	57,465,117		43,012,171	430,127	88,324	88,324	59,917	119,833	59,917
26	2024-25	58,614,419		44,162,019	441,620	90,669	90,669	61,183	122,365	61,183
27	2025-26	59,786,708		45,334,308	453,343	93,060	93,060	62,474	124,948	62,474
28	2026-27	60,982,442		46,530,042	465,300	95,499	95,499	63,791	127,582	63,791
29	2027-28	62,202,091		47,749,691	477,497	97,987	97,987	65,135	130,270	65,135
30	2028-29	63,446,132		48,993,732	489,937	100,525	100,525	66,505	133,010	66,505
31	2029-30	64,715,055		50,262,655	502,627	103,114	103,114	67,541	135,081	67,541
32	2030-31	66,009,356		51,556,956	515,570	105,754	105,754	68,597	137,194	68,597
33	2031-32	67,329,543		52,877,143	528,771	108,447	108,447	69,674	139,348	69,674
34	2032-33	68,676,134		54,223,734	542,237	111,195	111,195	70,773	141,546	70,773
35	2033-34	70,049,657		55,597,257	555,973	113,996	113,996	71,894	143,787	71,894
36	2034-35	71,450,650		56,998,250	569,982	116,855	116,855	73,037	146,074	73,037
37	2035-36	72,879,663		58,427,263	584,273	119,770	119,770	74,203	148,406	74,203
38	2036-37	74,337,256		59,884,856	598,849	122,743	122,743	75,392	150,785	75,392
39	2037-38	75,824,001		61,371,601	613,716	125,776	125,776	76,606	153,211	76,606
40	2038-39	77,340,481		62,888,081	628,881	128,870	128,870	77,843	155,686	77,843
41	2039-40	78,887,291		64,434,891	644,349	132,025	132,025	79,105	158,210	79,105
42	2040-41	80,465,037		66,012,637	660,126	135,244	135,244	80,393	160,785	80,393
43	2041-42	82,074,337		67,621,937	676,219	138,527	138,527	81,706	163,412	81,706
44	2042-43	83,715,824		69,263,424	692,634	141,875	141,875	83,045	166,091	83,045
45	2043-44	85,390,141		70,937,741	709,377	145,291	145,291	84,412	168,823	84,412
45	2044-45	87,097,944		72,645,544	726,455	149,000	149,000	85,800	171,600	85,800
	Total	2,148,453,504	2,853,956	1,616,568,660	16,165,687	3,233,137	4,314,254	2,154,574	4,309,147	2,154,574

**TABLE 10H**  
**VICTOR VALLEY REDEVELOPMENT PROJECT AREA**  
 Tax Increment Projections

	1	2	3	4	5	6	7	8	9	10
YEAR		SECURED & UNSECURED ASSESSED VALUE	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS SLOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL THROUGHS (Statutory)	MEMBER JURISDICTIONS	TO SCLA	TO PRIOR CONTRIB FUND 10%
					$= (4 * 1\%)$	$= (5 * 20\%)$	$= (5 * 0.2)$	$= (4 - 5 - 6) * 40\%$	$= (4 - 5 - 6) * 40\%$	$= (4 - 5 - 6) * 20\%$
<b>BY</b>	<b>1997-98</b>	<b>1,372,000</b>		<b>0</b>	<b>0</b>		<b>20.00%</b>	<b>40%</b>	<b>40%</b>	<b>10%</b>
7	2006-07	2,176,630		804,630	8,046	1,609	1,609	1,931	1,931	483
8	2007-08	2,220,163	515,973	1,364,136	13,641	2,728	2,728	3,274	3,274	818
9	2008-09	2,790,858		1,418,858	14,189	2,838	2,838	3,405	3,405	851
10	2009-10	2,846,675		1,474,675	14,747	2,949	2,949	3,539	3,539	885
11	2010-11	2,903,609		1,531,609	15,316	3,063	3,159	3,638	3,638	909
12	2011-12	2,961,681		1,589,681	15,897	3,179	3,373	3,738	3,738	934
13	2012-13	3,020,915		1,648,915	16,489	3,298	3,591	3,840	3,840	960
14	2013-14	3,081,333		1,709,333	17,093	3,419	3,813	3,945	3,945	986
15	2014-15	3,142,960		1,770,960	17,710	3,542	4,040	4,051	4,051	1,013
16	2015-16	3,205,819		1,833,819	18,338	3,668	4,271	4,160	4,160	1,040
17	2016-17	3,269,935		1,897,935	18,979	3,796	4,507	4,271	4,271	1,068
18	2017-18	3,335,334		1,963,334	19,633	3,927	4,748	4,384	4,384	1,096
19	2018-19	3,402,041		2,030,041	20,300	4,060	4,993	4,499	4,499	1,125
20	2019-20	3,470,082		2,098,082	20,981	4,196	5,243	4,616	4,616	1,154
21	2020-21	3,539,483		2,167,483	21,675	4,335	5,499	4,736	4,736	1,184
22	2021-22	3,610,273		2,238,273	22,383	4,477	5,759	4,859	4,859	1,215
23	2022-23	3,682,478		2,310,478	23,105	4,621	6,025	4,983	4,983	1,246
24	2023-24	3,756,128		2,384,128	23,841	4,768	6,296	5,111	5,111	1,278
25	2024-25	3,831,250		2,459,250	24,593	4,919	6,573	5,241	5,241	1,310
26	2025-26	3,907,875		2,536,875	25,359	5,072	6,855	5,373	5,373	1,343
27	2026-27	3,986,033		2,614,033	26,140	5,228	7,142	5,508	5,508	1,377
28	2027-28	4,065,754		2,693,754	26,938	5,388	7,436	5,646	5,646	1,411
29	2028-29	4,147,069		2,775,069	27,751	5,550	7,735	5,786	5,786	1,447
30	2029-30	4,230,010		2,858,010	28,580	5,716	8,040	5,930	5,930	1,482
31	2030-31	4,314,610		2,942,610	29,426	5,885	8,446	6,038	6,038	1,509
32	2031-32	4,400,902		3,028,902	30,289	6,058	8,860	6,148	6,148	1,537
33	2032-33	4,488,920		3,116,920	31,169	6,234	9,283	6,261	6,261	1,565
34	2033-34	4,578,699		3,206,699	32,067	6,413	9,714	6,376	6,376	1,594
35	2034-35	4,670,273		3,298,273	32,983	6,597	10,153	6,493	6,493	1,623
36	2035-36	4,763,678		3,391,678	33,917	6,783	10,602	6,613	6,613	1,653
37	2036-37	4,858,952		3,486,952	34,870	6,974	11,059	6,735	6,735	1,684
38	2037-38	4,956,131		3,584,131	35,841	7,168	11,525	6,859	6,859	1,715
39	2038-39	5,055,254		3,683,254	36,833	7,367	12,001	6,986	6,986	1,746
40	2039-40	5,156,359		3,784,359	37,844	7,569	12,486	7,115	7,115	1,779
41	2040-41	5,259,486		3,887,486	38,875	7,775	12,982	7,247	7,247	1,812
42	2041-42	5,364,675		3,992,675	39,927	7,985	13,486	7,382	7,382	1,845
43	2042-43	5,471,969		4,099,969	41,000	8,200	14,001	7,519	7,519	1,880
44	2043-44	5,581,408		4,209,408	42,094	8,419	14,527	7,659	7,659	1,915
45	2044-45	5,693,037		4,321,037	43,210	8,642	15,063	7,802	7,802	1,951
<b>Total</b>		<b>140,628,957</b>	<b>515,973</b>	<b>90,380,930</b>	<b>903,809</b>	<b>180,762</b>	<b>251,428</b>	<b>188,648</b>	<b>188,648</b>	<b>47,162</b>



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## 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 \$64,165,000 Taxable Subordinate Tax Allocation Revenue Bonds (Southern California Logistics Airport Project) Series 2006 (the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of November 1, 2006 (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, 2007, 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: November 21, 2006

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: \$64,165,000 Southern California Logistics Airport Authority  
Taxable Subordinate Tax Allocation Revenue Bonds  
(Southern California Logistics Airport Project)  
Series 2006

Date of Issuance: November 21, 2006

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of November 21, 2006 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, 2005**

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SOUTHERN CALIFORNIA  
LOGISTICS AIRPORT AUTHORITY

Basic Financial Statements

Year ended June 30, 2005

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Basic Financial Statements

Year ended June 30, 2005

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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, 2005, as listed in the table of contents. These financial statements are the responsibility of the management of the Southern California Logistics Airport Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southern California Logistics Airport Authority, as of June 30, 2005 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.

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

November 7, 2005

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Net Assets

June 30, 2005

Assets

Current assets:

Pooled cash and investments (note 2)	\$ 43,462,626
Investments with fiscal agent (note 2)	10,724,982
Accounts receivable	411,243
Due from other governments	1,520,004
Prepaid items	96,169
Total current assets	56,215,024

Noncurrent assets:

Net depreciable capital assets (note 3)	85,883,069
Land (note 3)	3,178,281
Construction in progress (note 3)	1,705,510
Total noncurrent assets	90,766,860
Total assets	146,981,884

Liabilities

Current liabilities:

Accounts payable	1,797,962
Deposits payable	1,991,784
Unearned revenue	2,582
Tax allocation bonds payable - current (note 4)	777,191
Total current liabilities	4,569,519

Current liabilities payable from restricted assets:

Interest payable	444,934
Total current liabilities payable from restricted assets:	444,934

Noncurrent liabilities (note 4):

Tax allocation bonds payable - non-current	96,910,963
Total noncurrent liabilities	96,910,963
Total liabilities	101,925,416

Net Assets

Net assets:

Invested in capital assets, net of related debt	4,580,881
Unrestricted	40,475,587
Total net assets	\$ 45,056,468

See accompanying notes to the basic financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2005

Operating revenues:	
Intergovernmental	\$ 2,742,997
Charges for services	5,382,278
Fines and forfeitures	3,576
Other	<u>961,245</u>
Total operating revenues	<u>9,090,096</u>
Operating expenses:	
Personnel services	8,150,363
Maintenance and operations	13,211,294
Depreciation	<u>3,347,152</u>
Total operating expenses	<u>24,708,809</u>
Operating income (loss)	<u>(15,618,713)</u>
Nonoperating revenues (expenses):	
Investment income	878,201
Interest expense	<u>(6,188,373)</u>
Total nonoperating revenues (expenses)	<u>(5,310,172)</u>
Income (loss) before transfers	(20,928,885)
Capital contributions	5,798,692
Transfers from City of Victorville	6,708,996
Transfers to the City of Victorville	<u>(340,000)</u>
Change in net assets	(8,761,197)
Net assets at beginning of year, as restated (note 5)	<u>53,817,665</u>
Net assets at end of year	<u>\$ 45,056,468</u>

See accompanying notes to the basic financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Cash Flows

Year ended June 30, 2005

Cash flows from operating activities:	
Cash received from governmental agencies	\$ 2,720,071
Cash received from customers	6,451,352
Cash payments to employees for services	(8,150,363)
Cash payments to suppliers for goods and services	<u>(11,990,001)</u>
Net cash provided by (used for) operating activities	<u>(10,968,941)</u>
Cash flows from noncapital financing activities:	
Cash received from City of Victorville	6,708,996
Cash paid to City of Victorville	<u>(340,000)</u>
Net cash provided by (used for) noncapital financing activities	<u>6,368,996</u>
Cash flows from capital and related financing activities:	
Proceeds from bonds	41,946,307
Cash payments to acquire capital assets	(2,062,562)
Principal paid on capital-related debt	(720,000)
Interest paid on capital-related debt	<u>(5,702,568)</u>
Net cash provided by (used for) capital and related financing activities	<u>33,461,177</u>
Cash flows from investing activities:	
Interest received on investments	<u>878,201</u>
Net cash provided by investing activities	<u>878,201</u>
Net increase in cash and cash equivalents	29,739,433
Cash and cash equivalents at beginning of year	<u>24,448,175</u>
Cash and cash equivalents at end of year	<u>\$ 54,187,608</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (15,618,713)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	3,347,152
(Increase) decrease in accounts receivable	104,857
(Increase) decrease in due from other governments	(22,926)
(Increase) decrease in prepaid items	10,282
Increase (decrease) in accounts payable	(728,149)
Increase (decrease) in deposits payable	1,949,442
Increase (decrease) in unearned revenue	<u>(10,886)</u>
Total adjustments	<u>4,649,772</u>
Net cash provided by (used for) operating activities	<u>\$ (10,968,941)</u>
<u>Noncash investing and financing related items</u>	
Developer contributed capital assets	<u>\$ 5,798,692</u>

See accompanying notes to the basic financial statements.

# SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

## Notes to the Basic Financial Statements

Year ended June 30, 2005

### (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.

# SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

## Notes to the Basic Financial Statements

(Continued)

### (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.



SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(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, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$43,462,626
Cash and investments held by bond trustee	<u>10,724,982</u>
Total cash and investments	<u>\$54,187,608</u>

Cash and investments as of June 30, 2005 consist of the following:

Deposits with financial institutions	\$ 81,375
Investments	<u>54,106,233</u>
Total cash and investments	<u>\$54,187,608</u>

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 of 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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturing (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
State investment pool	\$43,381,251	43,381,251			
Held by bond trustee:					
Money market funds	<u>10,724,982</u>	<u>10,724,982</u>	-	-	-
Total	<u>\$54,106,233</u>	<u>54,106,233</u>	-	-	-

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.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$43,381,251	N/A	-	43,381,251
Held by bond trustee:				
Money market funds	<u>10,724,982</u>	A	<u>10,724,982</u>	-
Total	<u>\$54,106,233</u>		<u>10,724,982</u>	<u>43,381,251</u>

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).

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(3) Capital Assets

The following is a summary of changes in capital assets for SCLAA at June 30, 2005:

	Balance at June 30, 2004 (as restated)(1)	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2005
Buildings and improvements	\$119,782,973	8,792,737	-	128,575,710
Equipment and furniture	1,776,569	340,547	(15,074)	2,102,042
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	<u>41,898,475</u>	<u>668,260</u>	<u>-</u>	<u>42,566,735</u>
 Total cost of depreciable capital assets	 <u>167,598,784</u>	 <u>9,801,544</u>	 <u>(15,074)</u>	 <u>177,385,254</u>
Less accumulated depreciation:				
Buildings and improvements	(73,375,981)	(2,385,527)	-	(75,761,508)
Equipment and furniture	(787,729)	(179,336)	-	(967,065)
Computer and communication	(33,374)	(5,952)	-	(39,326)
Vehicles	(139,551)	-	-	(139,551)
Infrastructure:				
Sewer	(302,396)	(7,539)	-	(309,935)
Storm drains	(265,982)	-	-	(265,982)
Water lines	(302,887)	(35,363)	-	(338,250)
Runways and roads	<u>(12,947,133)</u>	<u>(733,435)</u>	<u>-</u>	<u>(13,680,568)</u>
 Total accumulated depreciation	 <u>(88,155,033)</u>	 <u>(3,347,152)</u>	 <u>-</u>	 <u>(91,502,185)</u>
 Net depreciable capital assets	 79,443,751	 6,454,392	 (15,074)	 85,883,069
Capital assets not depreciated:				
Land	3,178,281	-	-	3,178,281
Construction in progress	<u>3,630,726</u>	<u>-</u>	<u>(1,925,216)</u>	<u>1,705,510</u>
 Capital assets, net	 <u>\$ 86,252,758</u>	 <u>6,454,392</u>	 <u>(1,940,290)</u>	 <u>90,766,860</u>

(1) The beginning balance has been increased by \$69,853 to reflect the inclusion of land owned by SCLAA that was previously unrecorded.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is noted below:

	<u>Balance at</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Tax Allocation Bonds:					
2001 Tax Allocation Bonds	\$13,560,000	-	-	13,560,000	195,000
Less: unamortized discount	<u>(689,734)</u>	<u>-</u>	<u>25,158</u>	<u>(664,576)</u>	<u>(25,158)</u>
2001 TABs Subtotal	<u>12,870,266</u>	<u>-</u>	<u>25,158</u>	<u>12,895,424</u>	<u>169,842</u>
2003 Tax Allocation Bonds	45,120,000	-	(720,000)	44,400,000	670,000
Less: unamortized discount	<u>(1,640,840)</u>	<u>-</u>	<u>86,600</u>	<u>(1,554,240)</u>	<u>(54,695)</u>
2003 TABs Subtotal	<u>43,479,160</u>	<u>-</u>	<u>(633,400)</u>	<u>42,845,760</u>	<u>615,305</u>
2005 Tax Allocation Bonds	-	42,185,000	-	42,185,000	-
Less: unamortized discount	<u>-</u>	<u>(238,693)</u>	<u>663</u>	<u>(238,030)</u>	<u>(7,956)</u>
2005 TABs Subtotal	<u>-</u>	<u>41,946,307</u>	<u>663</u>	<u>41,946,970</u>	<u>(7,956)</u>
Total	<u>\$56,349,426</u>	<u>41,946,307</u>	<u>(607,579)</u>	<u>97,688,154</u>	<u>777,191</u>

Tax Allocation Bonds, Series 2001

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

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

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

# SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

## Notes to the Basic Financial Statements

(Continued)

### (4) Long-Term Liabilities, (Continued)

#### Tax Allocation Bonds, Series 2001 (Continued)

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

The required reserve for the Bonds is \$1,055,255. As of June 30, 2005, the reserve amount was \$1,095,339. 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 \$664,756) at June 30, 2005 is \$12,895,424.

#### 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.

Bonds maturing on December 1, 2013, December 1, 2023, December 1, 2026 and December 1, 2033 in the amounts of \$4,930,000, \$7,240,000, \$5,480,000 and \$19,075,000 are term bonds. The outstanding bonds bear interest at 5.00% to 6.40% due June 1 and December 1 of each year.

The bonds maturing on or after December 1, 2013 are subject to optional redemption in whole or in part by lot without premium.

The bonds maturing on December 1, 2013, December 1, 2023, December 1, 2026 and December 1, 2033 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2019, December 1, 2024 and December 1, 2027, respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is \$4,136,549. As of June 30, 2005, the reserve amount was \$4,137,133. 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 \$1,554,240) at June 30, 2005 is \$42,845,760.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

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, December 1, 2030, and December 1, 2035 in the amounts of \$2,765,000, \$3,365,000, \$5,140,000, \$6,335,000, \$7,870,000 and \$15,335,000 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 maturing on or after June 1, 2015 are subject to optional redemption in whole or in part by lot without premium.

The bonds maturing on December 1, 2010, December 1, 2015, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, December 1, 2026, and December 1, 2031, respectively, from sinking fund payments made by SCLAA.

The required reserve for the Bonds is \$3,352,037. As of June 30, 2005, the reserve amount was \$3,411,338. 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 \$238,030) at June 30, 2005 is \$41,946,970.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding SCLAA debt as of June 30, 2005, are as follows for each fiscal year ending June 30:

Year Ending <u>June 30</u>	Tax Allocation Bonds	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 865,000	4,323,721
2007	1,520,000	5,339,208
2008	1,580,000	5,277,964
2009	1,650,000	5,207,964
2010	1,725,000	5,134,839
2011	1,800,000	5,057,964
2012	1,870,000	4,985,764
2013	1,955,000	4,901,439
2014	2,060,000	4,802,289
2015	2,160,000	4,697,814
2016	2,275,000	4,585,164
2017	2,395,000	4,464,319
2018	2,515,000	4,343,406
2019	2,645,000	4,213,720
2020	2,785,000	4,075,288
2021	2,930,000	3,926,101
2022	3,090,000	3,768,932
2023	3,260,000	3,599,747
2024	3,435,000	3,420,932
2025	3,625,000	3,232,322
2026	3,825,000	3,031,297
2027	4,040,000	2,818,847
2028	4,265,000	2,592,788
2029	4,505,000	2,350,700
2030	4,765,000	2,094,725
2031	5,035,000	1,823,688
2032	5,320,000	1,536,875
2033	5,650,000	1,210,750
2034	5,980,000	880,625
2035	5,180,000	531,000
2036	5,440,000	272,000
Subtotal	100,145,000	108,502,211
Less:		
Unamortized discount	2,456,846	-
Total	\$97,688,154	108,502,211



SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(5) Restatement of Net Assets

Net assets at June 30, 2004 have been adjusted to reflect the accumulated result of the following changes to the financial statements.

Net assets at June 30, 2004 as previously reported	\$ 53,747,812
To record land owned by the Authority, but not previously recorded in capital assets.	<u>69,853</u>
Net assets at June 30, 2005, as restated	<u>\$ 53,817,665</u>

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