

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 13, 2016

NEW ISSUE—BOOK-ENTRY

INSURED BONDS RATING: S&P: “AA”  
UNINSURED BONDS RATING: S&P: “BBB”  
See “CONCLUDING INFORMATION – Ratings”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the interest (and original issue discount) with respect to the 2016B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, the interest (and original issue discount) due with respect to the 2016 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” with respect to tax consequences concerning the 2016 Bonds.

\$28,340,000\*

SUCCESSOR AGENCY  
TO THE REDEVELOPMENT AGENCY OF  
THE COUNTY OF SAN BERNARDINO  
(SAN SEVAINE REDEVELOPMENT PROJECT)  
TAX ALLOCATION BONDS,  
2016 SERIES A (TAXABLE)

\$14,695,000\*

SUCCESSOR AGENCY  
TO THE REDEVELOPMENT AGENCY OF  
THE COUNTY OF SAN BERNARDINO  
(SAN SEVAINE REDEVELOPMENT PROJECT)  
TAX ALLOCATION BONDS,  
2016 SERIES B

Dated: Delivery Date

Due: September 1, as shown on the inside front cover

**Purpose.** The Successor Agency to the Redevelopment Agency of the County of San Bernardino, (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2016 Series A (Taxable) (the “2016A Bonds”) and the Successor Agency to the Redevelopment Agency of the County of San Bernardino, (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2016 Series B (the “2016B Bonds” and together with the 2016A Bonds, the “2016 Bonds”) are being issued by the Successor Agency to the Redevelopment Agency of the County of San Bernardino (the “Successor Agency”) to refinance certain outstanding obligations of the Successor Agency.

**Book-Entry.** The 2016 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2016 Bonds.

**Payments.** Semiannual interest on the 2016 Bonds due March 1 and September 1 of each year, commencing September 1, 2016, and principal on the 2016 Bonds due September 1 of each year, commencing September 1, 2016, will be payable by The Bank of New York Mellon Trust Company, N.A., as trustee of the 2016 Bonds (the “Trustee”), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2016 Bonds. See “THE 2016 BONDS.”

**Redemption.** The 2016 Bonds are subject to optional and sinking fund redemption prior to maturity. See “THE 2016 BONDS – Redemption.”

**Security.** The 2016 Bonds are payable from and secured by a pledge of the Tax Revenues, RPTTF Revenues, Bond Tax Subsidy Payments (as such terms are defined in this Official Statement) and moneys in certain funds and accounts established under the Indenture (as defined in this Official Statement), including a debt service reserve account established by depositing therein a debt service reserve account policy to be issued by Assured Guaranty Municipal Corp. (“AGM”) concurrently with the delivery of the 2016 Bonds, as further described in this Official Statement. See “SECURITY FOR THE 2016 BONDS.”

**Insurance Policy.** The scheduled payment of principal of and interest on certain maturities of the 2016 Bonds (the “Insured Bonds”), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by AGM. The maturities of the Insured Bonds will be determined by the Successor Agency in connection with the pricing of the 2016 Bonds.



**Parity Debt.** Certain 2010 Bonds are outstanding in the aggregate principal amount of \$29,650,000 and are payable from Tax Revenues on a parity with the pledge and lien which secure the 2016 Bonds. The Indenture authorizes the Successor Agency to issue or incur loans, advances or indebtedness payable from Tax Revenues on a parity with the 2010 Bonds and Tax Revenues and RPTTF Revenues on a parity with the 2016 Bonds, for refunding purposes only. See “THE 2016 BONDS – Parity and Subordinate Debt.”

**Limited Obligations.** The 2016 Bonds are limited obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from Tax Revenues, RPTTF Revenues, Bond Tax Subsidy Payments and moneys in certain funds and accounts established under the Indenture as described in this Official Statement. The principal of and interest on the 2016 Bonds are not a debt of the County of San Bernardino (the “County”), the State of California (the “State”) or any of their political subdivisions except the Successor Agency, and none of the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The principal of and interest on the 2016 Bonds is not payable out of any funds or properties other than those set forth in the Indenture (as defined in this Official Statement). Neither the members of the Successor Agency, the Oversight Board of the Successor Agency, the County Board of Supervisors nor any persons executing the 2016 Bonds are liable personally on the 2016 Bonds.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the 2016 Bonds. Investors must 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 in this Official Statement. See “RISK FACTORS.”

The 2016 Bonds are offered, when, as and if issued, subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, San Francisco, California, is serving as Disclosure Counsel to the Successor Agency. In addition, certain legal matters will be passed upon for the Successor Agency by the County Counsel of the County, as general counsel to the Successor Agency. Certain legal matters will be passed on for the Underwriter by Nossaman LLP, Irvine, California, as Underwriter’s Counsel. It is anticipated that the 2016 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about February 11, 2016.

STIFEL

The date of this Official Statement is January \_\_, 2016.

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful.

## MATURITY SCHEDULES

**\$28,340,000\***

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE COUNTY OF SAN BERNARDINO  
(SAN SEVAINE REDEVELOPMENT PROJECT) TAX ALLOCATION BONDS,  
2016 SERIES A (TAXABLE)**

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup> (Base _____)</u>
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**\$14,695,000\***

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE COUNTY OF SAN BERNARDINO  
(SAN SEVAINE REDEVELOPMENT PROJECT) TAX ALLOCATION BONDS,  
2016 SERIES B**

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup> (Base _____)</u>
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<sup>†</sup> Copyright 2016, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Successor Agency nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

\* Preliminary; Subject to change.

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE COUNTY OF SAN BERNARDINO  
SAN BERNARDINO COUNTY, CALIFORNIA**

**BOARD OF SUPERVISORS/  
SUCCESSOR AGENCY BOARD**

James Ramos, *Chair*  
*Third District Supervisor*

Robert A. Lovingood, *Vice Chair*  
*First District Supervisor*

Janice Rutherford  
*Second District Supervisor*

Curt Hagman  
*Fourth District Supervisor*

Josie Gonzales  
*Fifth District Supervisor*

**COUNTY OFFICERS/  
SUCCESSOR AGENCY STAFF**

James Ramos, *Chair*  
Gregory C. Devereaux, *Chief Executive Officer*  
Dena Fuentes, *Director of Community Development and Housing*  
Gary Hallen, *Deputy Director of Community Development and Housing*  
Jean-Rene Basle, *County Counsel*  
Laura Welch, *Clerk of the Board of Supervisors*

**SPECIAL SERVICES**

**Bond Counsel**

Stradling Yocca Carlson & Rauth, a Professional Corporation  
*Newport Beach, California*

**Financial Advisor**

CSG Advisors Incorporated  
*San Francisco, California*

**Disclosure Counsel**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**Fiscal Consultant**

HdL Coren & Cone  
*Diamond Bar, California*

**Trustee**

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

**Verification Agent**

Grant Thornton  
*Minneapolis, Minnesota*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2016 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2016 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency, or the San Sevaire Project Area since the date of this Official Statement.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the 2016 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2016 Bonds.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

**Document References and Summaries.** All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Stabilization of and Changes to Offering Prices.** The Underwriter may over-allot or take other steps that stabilize or maintain the market price of the 2016 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2016 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the 2016 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

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

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

**Website.** The County maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

**AGM Disclosure.** Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the 2016 Bonds or the advisability of investing in the 2016 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX I - Specimen Municipal Bond Insurance Policy."

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## OFFICIAL STATEMENT

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**\$28,340,000\***  
**SUCCESSOR AGENCY**  
**TO THE REDEVELOPMENT AGENCY OF**  
**THE COUNTY OF SAN BERNARDINO**  
**(SAN SEVAINE REDEVELOPMENT PROJECT)**  
**TAX ALLOCATION BONDS,**  
**2016 SERIES A (TAXABLE)**

**\$14,695,000\***  
**SUCCESSOR AGENCY**  
**TO THE REDEVELOPMENT AGENCY OF**  
**THE COUNTY OF SAN BERNARDINO**  
**(SAN SEVAINE REDEVELOPMENT PROJECT)**  
**TAX ALLOCATION BONDS,**  
**2016 SERIES B**

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Redevelopment Agency of the County of San Bernardino (the “**Successor Agency**”) of the Successor Agency to the Redevelopment Agency of the County of San Bernardino, (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2016 Series A (Taxable) (the “**2016A Bonds**”) and the Successor Agency to the Redevelopment Agency of the County of San Bernardino, (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2016 Series B (the “**2016B Bonds**” and together with the 2016A Bonds, the “**2016 Bonds**”).

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description and guide to, and is qualified by, the more complete and detailed information contained in the entire Official Statement including the cover page and the appendices, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2016 Bonds to potential investors is made only by means of the entire Official Statement.*

### Authority and Use of Proceeds

The Successor Agency is issuing the 2016 Bonds pursuant to authority granted by the Constitution of the State of California (the “**State**”), Section 34177.5(a)(1) of the Health and Safety Code of the State, Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the “**Refunding Law**”) and an Indenture of Trust, dated as of December 1, 2005 (the “**Original Indenture**”), by and between the Successor Agency, as successor to the former Redevelopment Agency of the County of San Bernardino (the “**Former Agency**”), and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of November 1, 2010 (the “**First Supplement**”), by and between the Successor Agency, as successor to the Former Agency, and the Trustee, and as further amended and supplemented by a Second Supplemental Indenture of Trust, dated as of February 1, 2016 (the “**Second Supplement**”), by and between the Successor Agency and the Trustee (as so amended and supplemented, the “**Indenture**”). See “THE 2016 BONDS – Authority for Issuance.”

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*\* Preliminary; subject to change.*



The Successor Agency is issuing the 2016 Bonds to retire in advance of their stated maturities, all of the outstanding Redevelopment Agency of the County of San Bernardino (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2005 Series A issued by the Former Agency in the original aggregate principal amount of \$58,725,000 (the “**2005 Bonds**”), and which are currently outstanding in the aggregate principal amount of \$47,030,000. The 2005 Bonds were issued pursuant to the terms and conditions of the Original Indenture.

The remaining proceeds of the 2016 Bonds will be used to (i) pay the premium of a debt service reserve insurance policy for the 2016 Bonds (the “**2016 Reserve Policy**”) to be issued by Assured Guaranty Municipal Corp. (“**AGM**” and together with any successor thereto or assignee thereof, hereinafter referred to as, the “**2016 Insurer**”) concurrently with the delivery of the 2016 Bonds to satisfy the 2016 Reserve Amount (as defined below) and (ii) pay the costs of issuing the 2016 Bonds, including the premium for the Bond Insurance Policy (as defined below).

### **The County and the Successor Agency**

**The County.** The County of San Bernardino (the “**County**”) is located in Southern California and was established by an act of the State Legislature on April 23, 1853, which formed the County over an area formerly composing the eastern part of the County of Los Angeles. The County encompasses an area of over 20,000 square miles and includes twenty-four incorporated cities. It is bordered on the west by Los Angeles County, on the east by the State of Arizona and the State of Nevada, on the north by Inyo and Kern Counties, and on the south by Orange and Riverside Counties. The County is the largest county in the State in terms of geographical area.

The County is a charter county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors (the “**Board of Supervisors**”) who serve staggered four-year terms. The Chairperson of the Board of Supervisors is elected by and from the members of the Board of Supervisors. Gregory C. Devereaux serves as the County Chief Executive Officer.

See “APPENDIX G – SUPPLEMENTAL INFORMATION – COUNTY OF SAN BERNARDINO.” The 2016 Bonds are not an obligation of the County.

**Former Agency.** The Successor Agency is the successor entity to the Former Agency, which was dissolved under the Dissolution Act (described below). The Former Agency was a redevelopment agency with all of the powers vested in such entities under the California Community Redevelopment Law (the “**Redevelopment Law**”). The Board of Supervisors was the legislative body of the Former Agency and is the governing board of the Successor Agency.

**Dissolution Act.** On June 29, 2011, Assembly Bill No. 26 (“**AB X1 26**”) was enacted, together with a companion bill, Assembly Bill No. 27 (“**AB X1 27**”). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies statewide as of February 1, 2012. The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1,



2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are found in Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“**AB 1484**”), enacted as Chapter 26, Statutes of 2012 and as further amended on September 22, 2015 by Senate Bill 107 (“**SB 107**”), enacted as Chapter 325, Statutes of 2015. The provisions of Part 1.85 as amended by AB 1484 and SB 107 are referred to in this Official Statement as the “**Dissolution Act.**”

**Successor Agency.** Pursuant to Section 34173 of the Dissolution Act, the County made an election to act as the successor agency to the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public and legal entity from the County, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the County nor will the assets of the Former Agency become assets of the County.

### **The San Sevaine Redevelopment Plan and the San Sevaine Project Area**

**General.** The County established or participated in the establishment of four project areas prior to dissolution of the Former Agency:

- San Sevaine Redevelopment Project Area. The San Sevaine Project Area is described in more detail below.
- Cedar Glen Disaster Recovery Project. The Successor Agency receives property tax revenues from the Cedar Glen Disaster Recovery Project (the “**Cedar Glen Project Area**”), and those property tax revenues are included in the RPTTF Revenues (as defined below) pledged to the 2016 Bonds, although the amount required to pay debt service on the Former Agency’s Redevelopment Agency of the County of San Bernardino Cedar Glen Disaster Recovery Project Area Tax Allocation Bonds, Series 2010 (“**2010 Cedar Glen Bonds**”) is payable from property tax revenues from the Cedar Glen Project Area is not included in RPTTF Revenues.
- Mission Boulevard Joint Redevelopment Project Area. This project area was created in 2003 as a joint project with the City of Montclair. The Successor Agency does not receive property tax revenues from this project area.
- Victor Valley Redevelopment Project Area. This project area was created in 1993 pursuant to special State enabling legislation for military base reuse (George Air Force Base). It covers areas within the jurisdictions of the cities of Adelanto, Apple Valley, Hesperia and Victorville and the County. The Successor Agency does not receive property taxes revenues from this project area.

The Tax Revenues pledged as security for the payment of debt service on the 2016 Bonds are generated only in the San Sevaine Project Area.

The RPTTF Revenues pledged as security for the payment of debt service on the 2016 Bonds are generated in the San Sevaine Project Area and the Cedar Glen Project Area (together, the “**Project Areas**”).

The Fiscal Consultant’s Report (as defined below) and this Official Statement do not describe the Cedar Glen Project Area because in fiscal year 2015-16, Tax Revenues (which are generated only in the San Sevaine Project Area) are expected to provide 231% debt service coverage on the 2010 Bonds and the 2016 Bonds, and RPTTF Revenues are expected to be only \$128,000 in fiscal year 2015-16, resulting in additional debt service coverage for the 2016 Bonds of only 2%. In sum, the Fiscal Consultant’s Report and the Official Statement do not describe the Cedar Glen Project Area, which is the only other redevelopment project area from which the Successor Agency receives property tax revenues, because the Successor Agency believes that the additional debt service coverage provided by the RPTTF Revenues is not material to owners of the 2016 Bonds.

**San Sevaine Redevelopment Plan.** The Board of Supervisors of the County established the original area (the “**Original San Sevaine Area**”) of the San Sevaine Redevelopment Project (the “**San Sevaine Project Area**”) and approved a redevelopment plan for the San Sevaine Project Area (the “**Original San Sevaine Plan**”) pursuant to Ordinance No. 3631 enacted by the Board of Supervisors on December 19, 1995. The Original San Sevaine Plan has been amended several times since adoption, including in 2004 when it was amended and restated to, among other things, add area to the Original Area as described below. The Original San Sevaine Plan as amended and amended and restated from time to time is referred to in this Official Statement as, the “**Amended San Sevaine Plan**” and the Amended San Sevaine Plan as amended from time to time is referred to as the “**San Sevaine Redevelopment Plan**.”

**San Sevaine Project Area.** The Original San Sevaine Area consisted of approximately 2,835 acres located between the cities of Rancho Cucamonga, Ontario and Fontana, north of the I-10 freeway, and included industrial and commercial uses, as well as vacant land. In 2004, pursuant to the Amended San Sevaine Plan, approximately 1,154 acres consisting of five non-contiguous areas were added to the San Sevaine Project Area (the “**San Sevaine Amendment Area**”). In 2005, the Former Agency amended the Amended San Sevaine Plan to remove approximately 565 acres from the San Sevaine Amendment Area; this area was subsequently annexed to the City of Fontana. Currently, the San Sevaine Project Area contains approximately 3,424 acres. See “THE SAN SEVAINE PROJECT AREA” for further information regarding the San Sevaine Project Area.

### **Tax Allocation Financing**

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues, and the San Bernardino County Auditor-Controller (the “**County Auditor-Controller**”) apportioned tax increment revenue to all redevelopment agencies as described in the Redevelopment Law. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopted the redevelopment plan became the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies receiving property taxes thereafter received only that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion of property

taxes produced by applying then current tax rates to the increase in valuation over the base year (less certain items such as payments required to be made with respect to contractual and statutory pass-through obligations). Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

### **Authority to Issue Refunding Bonds**

Section 34177.5(a)(1) authorizes the issuance of refunding bonds to provide debt service savings, provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness does not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the refunding bonds or other indebtedness does not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance.

The Dissolution Act authorizes each successor agency to issue refunding bonds secured by a pledge of, and lien on, the revenues that were pledged to the bond or other indebtedness being refunded as well as from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (as defined below) established by the county auditor-controller for the successor agency by the Dissolution Act. See “SECURITY FOR THE 2016 BONDS.”

Successor agencies have no power to levy property taxes and must rely on the allocation of taxes as described above. See “RISK FACTORS.”

### **Security for the 2016 Bonds**

The 2016 Bonds are payable only from Tax Revenues (as defined below), RPTTF Revenues (as defined below), Bond Tax Subsidy Payments (as defined below) and moneys in certain funds and accounts held by the Trustee under the Indenture, as described in this Official Statement. See “Limited Obligation” below.

The Dissolution Act requires the County Auditor-Controller to annually determine the amount of property taxes that would have been allocated to the Former Agency from the San Sevaire Project Area and the Cedar Glen Project Area had the Former Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller (the “**Redevelopment Property Tax Trust Fund**”) pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same lien priority and legal effect as if such bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedule. See “SECURITY FOR THE 2016 BONDS – Recognized Obligation Payment Schedules.”

The Dissolution Act further provides that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the 2016 Bonds, are taxes allocated to the

successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution.

Under the Dissolution Act, property tax revenues are distributed to the Successor Agency on a semi-annual basis (on January 2 and June 1) based on a Recognized Obligation Payment Schedule submitted by the Successor Agency to an oversight board established for the Successor Agency (the “**Oversight Board**”) and the State Department of Finance (the “**DOF**”). The functions of the Oversight Board will be assumed by an oversight board established for all successor agencies within the County commencing on July 1, 2018. The County Auditor-Controller distributes funds from the Redevelopment Property Tax Trust Fund for each six-month period in the order specified in the Dissolution Act. See “SECURITY FOR THE 2016 BONDS – Recognized Obligation Payment Schedules.”

In accordance with the Dissolution Act, the term “**Tax Revenues**” is defined under the Indenture to mean all taxes pledged and annually allocated to the Successor Agency with respect to the San Seivaine Project Area pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Redevelopment Law and Articles 10 and 11 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said code, as amended (the “**Law**”) and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the San Seivaine Redevelopment Plan, and all payments, subventions and reimbursements, if any, to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding such taxes (if any) (i) which are required to be deposited into the Low and Moderate Income Housing Fund of the Successor Agency pursuant to section 33334.3 of the Law for increasing and improving the supply of low and moderate income housing, and (ii) which constitute amounts payable by the Successor Agency under sections 33607.5 or 33607.7 of the Law for payments to affected taxing entities except and to the extent such amounts so payable are payable on a basis subordinate to the payment of the Bonds and any Parity Debt. Provided, however, that portion of such taxes required by section 33334.3 of the Law to be deposited in the Low and Moderate Income Housing Fund shall be available to repay that portion of any Bonds (including applicable reserves and financing costs) issued to increase or improve the supply of low and moderate income housing within or of benefit to the San Seivaine Project Area.

The term “**RPTTF Revenues**” is defined in the Indenture to mean moneys deposited from time to time in the Redevelopment Property Tax Trust Fund as and if available and subject to other claims, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, as and if available and subject to the equal and senior claims of indebtedness, if any, which may be attributable to project areas of the Successor Agency, other than the San Seivaine Project Area, if any, exclusive of amounts otherwise received as Tax Revenues under the Indenture.

The term “**Bond Tax Subsidy Payments**” is defined in the Indenture to mean the interest portion of Annual Debt Service that is reimbursed to or for the benefit of the Successor Agency by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009, Section 1400U-2 of the Act, or any future similar program) payable in respect of any Bonds, or, if applicable, similar payments received by or for the benefit of the Successor Agency in respect of any Parity Debt in lieu of tax-exempt treatment of such obligations for federal tax purposes. The Successor Agency is currently receiving Bond Tax Subsidy Payments with respect to the 2010B Bonds and such amounts are pledged to pay debt service on all Bonds (as defined below).

See “SECURITY FOR THE 2016 BONDS” for further information regarding the security for the 2016 Bonds.

### **Parity and Subordinate Debt**

**Existing and Future Parity Debt.** When issued, the 2016 Bonds will be payable from Tax Revenues on a parity with the following outstanding bonds issued by the Former Agency (collectively, the “**2010 Bonds**”):

- \$16,945,000 original aggregate principal amount of Redevelopment Agency of the County of San Bernardino, (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2010 Series A (the “**2010A Bonds**”), which are currently outstanding in the aggregate principal amount of \$16,045,000; and
- \$13,605,000 original aggregate principal amount of Redevelopment Agency of the County of San Bernardino, (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2010 Series B (Taxable Recovery Zone Economic Development Bond) (the “**2010B Bonds**”), which are currently outstanding in the aggregate principal amount of \$13,605,000.

The Indenture authorizes the Successor Agency to issue or incur loans, advances or indebtedness payable from (i) Tax Revenues on a parity with the 2010 Bonds and (ii) Tax Revenues and RPTTF Revenues on a parity with the 2016 Bonds (such loans, advances or indebtedness hereinafter referred to in this Official Statement as, “**Parity Debt**”) for refunding purposes only. See “THE 2016 BONDS – Parity and Subordinate Debt.”

The 2010 Bonds, the 2016 Bonds and any future Parity Debt is hereinafter referred to collectively as, the “**Bonds**.”

**Future Subordinate Debt.** The Indenture permits the Successor Agency to issue or incur loans, advances or indebtedness which are either by their terms payable from, but not secured by a pledge of or lien upon, the Tax Revenues, or secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds. See “THE 2016 BONDS – Parity and Subordinate Debt.”

**Existing Cedar Glen Project Area Bonds.** The Former Agency issued the 2010 Cedar Glen Bonds in the initial principal amount of \$5,750,000, and they are currently outstanding in the principal amount of \$5,100,000.

The definition of RPTTF Revenues excludes the amounts required by the Successor Agency to pay debt service on the 2010 Cedar Glen Bonds.

### **Limited Obligation**

The 2016 Bonds are limited obligations of the Successor Agency issued pursuant to the Successor Agency Resolution (as defined below), the Oversight Board Resolution (as defined below) and the Indenture and are secured by an irrevocable pledge of, and are payable as to principal and interest from, Tax Revenues, RPTTF Revenues, Bond Tax Subsidy Payments and moneys in certain funds and accounts established under the Indenture. The principal of and interest on the 2016 Bonds are not a debt of the County, the State or any of their political

subdivisions except the Successor Agency, and none of the County, the State nor any of their political subdivisions except the Successor Agency are liable thereon. The principal of and interest on the 2016 Bonds are not payable out of any funds other than those pledged to the payment of the 2016 Bonds pursuant to the Indenture. No member, officer, agent or employee of the Successor Agency, the Oversight Board, the Board of Supervisors of the County or any person executing the 2016 Bonds is liable personally on the 2016 Bonds by reason of their issuance.

### **Debt Service Reserve Account**

The Successor Agency will establish a debt service reserve account for the 2016 Bonds (the “**2016 Reserve Subaccount**”) by depositing therein the 2016 Reserve Policy in the amount of \$\_\_\_\_\_, which will satisfy the “**2016 Reserve Amount**” (as defined below). See “SECURITY FOR THE 2016 BONDS – Debt Service Reserve Account.”

### **Bond Insurance**

Concurrently with the issuance of the 2016 Bonds, AGM will issue its Municipal Bond Insurance Policy (the “**Bond Insurance Policy**”) for certain maturities of the 2016 Bonds (the “**Insured Bonds**”). The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Bond Insurance Policy included as Appendix I to this Official Statement. The scheduled payment of principal of and interest on the maturities of the 2016 Bonds to be guaranteed under the Bond Insurance Policy will be determined by the Successor Agency in connection with the pricing of the 2016 Bonds.

The Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Professionals Involved in the Offering**

HdL Coren & Cone, Diamond Bar, California, has acted as fiscal consultant to the Successor Agency (the “**Fiscal Consultant**”) and advised the Successor Agency as to the taxable values within the San Sevaine Project Area projected to be available to pay debt service on the 2016 Bonds as described in this Official Statement. The report prepared by the Fiscal Consultant is referred to herein as the “**Fiscal Consultant’s Report**” and is attached as Appendix H.

CSG Advisors Incorporated, San Francisco, California, has acted as financial advisor to the Successor Agency (the “**Financial Advisor**”).

Grant Thornton, Minneapolis, Minnesota, is acting as Verification Agent with respect to the proposed redemption and defeasance of the 2005 Bonds (the “**Verification Agent**”).

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as Trustee with respect to the 2016 Bonds.

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), is underwriting the 2016 Bonds.

All proceedings in connection with the issuance of the 2016 Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel to the Successor Agency. Copies of the proposed forms of Bond Counsel's final approving opinions with respect to the 2016 Bonds are attached hereto as Appendix B. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Disclosure Counsel. The County Counsel of the County, as general counsel to the Successor Agency, will render certain opinions on behalf of the Successor Agency. Certain legal matters will be passed on for the Underwriter by Nossaman LLP, Irvine, California. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor and Underwriter's Counsel is contingent upon the sale and delivery of the 2016 Bonds.*

### **Further Information**

Brief descriptions of the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2016 Bonds, the Indenture, the Successor Agency, the Former Agency, the San Sevaine Redevelopment Plan, the San Sevaine Project Area and the County are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Official Statement to the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2016 Bonds, the Indenture, the San Sevaine Redevelopment Plan, the Constitution and the laws of the State as well as the proceedings of the Former Agency, the Successor Agency and the County are qualified in their entirety by reference to such documents and laws. References in this Official Statement to the 2016 Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture. Capitalized terms used in this Official Statement and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture.

During the period of the offering of the 2016 Bonds, copies of the draft forms of all documents are available from the Underwriter or the Clerk of the Board of Supervisors, 385 N. Arrowhead Avenue, San Bernardino, California 92415.



## REFUNDING PLAN

### Refunding of 2005 Bonds

Pursuant to the 2005 Bonds Escrow Agreement (the “**Escrow Agreement**”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., acting in its capacity as escrow bank (in such capacity, the “**Escrow Bank**”), the Successor Agency will deliver a portion of the proceeds of the 2016 Bonds, along with other available amounts, to the Escrow Bank for deposit in an escrow fund established under the Escrow Agreement (the “**Escrow Fund**”).

The Escrow Bank will hold the funds on deposit in the Escrow Fund in cash, uninvested. From the moneys on deposit in the Escrow Fund, the Escrow Bank will pay, on or about March 1, 2016, the outstanding principal amount of all of the 2005 Bonds and the accrued interest thereon to the date of repayment.

Pursuant to the Original Indenture, all of the outstanding 2005 Bonds will be deemed to have been defeased upon deposit with an escrow agent, in trust, of money or permitted defeasance securities which, together with the available amounts then on deposit in the funds and accounts established pursuant to the 2005 Indenture were issued is fully sufficient to pay all of the outstanding 2005 Bonds, including all principal, interest and redemption premiums thereon if any.

*The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the amounts due and payable by the Successor Agency under the Original Indenture with respect to the 2005 Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the 2016 Bonds.*

### Verification of Mathematical Accuracy

The sufficiency of the deposits in the Escrow Fund for the purposes described above will be verified by the Verification Agent. Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the Escrow Fund, the Successor Agency's obligations under the Original Indenture with respect to the 2005 Bonds will be discharged.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## Estimated Sources and Uses of Funds

The estimated sources and uses of funds are summarized below.

	<u>2016A Bonds</u> <u>Amount</u>	<u>2016B Bonds</u> <u>Amount</u>
<b>Sources:</b>		
Principal Amount		
<i>Plus:</i> [Net] Original Issue Premium		
<i>Less:</i> [Net] Original Issue Discount		
<i>Plus:</i> 2005 Bonds- Available Funds		
<i>Less:</i> Underwriter's Discount		
<b>Total Sources</b>		
<b>Uses:</b>		
Redeem 2005 Bonds		
Costs of Issuance Fund <sup>(1)</sup>		
<b>Total Uses</b>		

- (1) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Fiscal Consultant, Financial Advisor, Trustee, premiums for the Bond Insurance Policy and the 2016 Reserve Policy, Successor Agency administrative staff, County Counsel as general counsel to the Successor Agency, printing expenses, rating fee and other costs related to the issuance of the 2016 Bonds.

## Debt Service Schedule

The following table shows the annual debt service schedule for the 2016 Bonds, assuming no optional redemption of the 2016 Bonds prior to their respective maturities.

<b>Bond Year Ending September 1</b>	<b>2016A Bonds Principal</b>	<b>2016A Bonds Interest</b>	<b>2016B Bonds Principal</b>	<b>2016B Bonds Interest</b>	<b>Total Debt Service</b>
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
<b>Total</b>					

The following table shows the annual debt service schedule for the 2010 Bonds and the 2016 Bonds, assuming no optional redemption of the 2010 Bonds and the 2016 Bonds prior to their respective maturities and without regard to Bond Tax Subsidy Payments which are treated as Tax Revenues under the Indenture.

<b>Bond Year Ending September 1</b>	<b>2010 Bonds Debt Service</b>	<b>2016 Bonds Debt Service</b>	<b>Total Debt Service</b>
2016	\$2,709,457		
2017	2,708,760		
2018	2,706,992		
2019	2,709,155		
2020	2,709,890		
2021	2,704,199		
2022	2,708,426		
2023	2,705,119		
2024	2,704,699		
2025	2,706,744		
2026	2,710,831		
2027	2,706,539		
2028	2,709,289		
2029	2,708,236		
2030	2,708,381		
2031	2,709,301		
2032	2,706,095		
2033	2,708,283		
2034	2,705,026		
2035	2,706,326		
2036	5,191,345		
2037	5,093,185		
2038	4,988,110		
2039	4,885,275		
2040	4,777,995		
<b>Total</b>	<b>\$79,087,657</b>		

## THE 2016 BONDS

### Authority for Issuance

The issuance of the 2016 Bonds and the execution and delivery of the Indenture were authorized by the Successor Agency pursuant to Resolution No. 2015-213 adopted on October 20, 2015 (the “**Successor Agency Resolution**”), and approved by the Oversight Board for the Successor Agency pursuant to Resolution No. 2015-2009 adopted on October 21, 2015 (the “**Oversight Board Resolution**”).

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the DOF.

On December 24, 2015, the DOF provided a letter to the Successor Agency stating that based on the DOF’s review and application of the law, the Oversight Board Resolution approving the 2016 Bonds is approved by the DOF. See “APPENDIX F – STATE DEPARTMENT OF FINANCE APPROVAL LETTER.”

Section 34177.5(f) of the Dissolution Act provides that when, as here, a successor agency issues refunding bonds with the approval of the oversight board and the DOF, the oversight board may not unilaterally approve any amendments to or early termination of the bonds, and the scheduled payments on the bonds shall be listed in the Recognized Obligation Payment Schedules and are not subject to further review and approval by the DOF or the California State Controller.

### Description of the 2016 Bonds

The 2016 Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no 2016 Bond shall mature on more than one date, initially in the name of Cede & Co., as nominee for The Depository Trust Company (“**DTC**”), New York, New York, as registered owner of all 2016 Bonds. The initially executed and delivered 2016 Bonds will be dated the date of delivery (the “**Closing Date**”) and mature on September 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the 2016 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months at the rates shown on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 in each year (each an, “**Interest Payment Date**”), commencing on September 1, 2016. Each 2016 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before August 15, 2016, in which event it shall bear interest from the Closing Date; or (c) if, as of the date of authentication of any 2016 Bond, interest thereon is in default, in which event such 2016 Bond shall bear interest from the date to which interest has previously been paid or made available for payment thereon. “**Record Date**” as defined in the Indenture means, with respect to any Interest Payment Date, the close of business on the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

Interest on the 2016 Bonds shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2016 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; provided, however, that at the written request of the Owner of 2016 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, interest on such 2016 Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request. The principal of and premium (if any) on the 2016 Bonds shall be payable in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the office designated by the Trustee.

One fully-registered bond will be issued for each maturity of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX C – BOOK-ENTRY ONLY SYSTEM."

### **Redemption\***

***Optional Redemption.*** The 2016A Bonds maturing on or before September 1, 2025, will not be subject to optional redemption prior to maturity. The 2016 Bonds maturing on or after September 1, 2026, will be subject to redemption in whole, or in part among such maturities as will be determined by the Successor Agency (to which maturity selection the 2016 Insurer shall have consented), and in any case by lot within a maturity, at the option of the Successor Agency, on any date on or after September 1, 2025, from any available source of funds, at a redemption price equal to the principal amount of the 2016A Bonds to be redeemed, plus accrued interest thereon to the redemption date, without premium.

The 2016B Bonds maturing on or before September 1, 2025, will not be subject to optional redemption prior to maturity. The 2016B Bonds maturing on or after September 1, 2026, will be subject to redemption in whole, or in part among such maturities as will be determined by the Successor Agency (to which maturity selection the 2016 Insurer shall have consented), and in any case by lot within a maturity, at the option of the Successor Agency, on any date on or after September 1, 2025, from any available source of funds, at a redemption price equal to the principal amount of the 2016B Bonds to be redeemed, plus accrued interest thereon to the redemption date, without premium.

***Sinking Account Redemption.*** The 2016A Bonds maturing September 1, 20\_\_ will be subject to mandatory sinking fund redemption in part by lot on September 1, 20\_\_ and on September 1 in each year thereafter, from Sinking Account payments made by the Successor Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof will be purchased as described below, in the aggregate respective principal amounts and on the dates as set forth in the following table (provided, however, that if some but not all of such 2016A Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such 2016A Bonds will be reduced by the aggregate principal amount of such 2016A Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency):

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\* Preliminary; Subject to change.

**2016A Bonds Maturing on September 1, 20\_\_**

**Sinking Account  
Redemption Date  
(September 1)**

**Principal Amount To Be  
Redeemed or Purchased**

\$

†

† Maturity.

The 2016B Bonds maturing September 1, 20\_\_ will be subject to mandatory sinking fund redemption in part by lot on September 1, 20\_\_ and on September 1 in each year thereafter, from Sinking Account payments made by the Successor Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof will be purchased as described below, in the aggregate respective principal amounts and on the dates as set forth in the following table (provided, however, that if some but not all of such 2016B Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such 2016B Bonds will be reduced by the aggregate principal amount of such 2016B Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency):

**2016B Bonds Maturing on September 1, 20\_\_**

**Sinking Account  
Redemption Date  
(September 1)**

**Principal Amount To Be  
Redeemed or Purchased**

\$

†

† Maturity.

**Notice of Redemption.** The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) the Owners of any 2016 Bonds designated for redemption at their respective addresses appearing on the registration books of the Trustee, and (ii) the Securities Depositories and to one or more Information Services designated in a written request of the Successor Agency filed with the Trustee; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such 2016 Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the



CUSIP number of the 2016 Bonds to be redeemed, shall state the individual number of each 2016 Bonds to be redeemed or shall state that all 2016 Bonds between two stated numbers (both inclusive) or all of the 2016 Bonds Outstanding are to be redeemed, and shall require that such 2016 Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2016 Bonds will not accrue from and after the redemption date.

***Manner of Redemption.*** Whenever provision is made in the Indenture for the redemption of less than all of the 2016 Bonds of any maturity of any series, the Trustee shall select the 2016 Bonds of such maturity and series to be redeemed by lot in any manner which the Trustee in its sole discretion shall deem appropriate. In the event of redemption by lot of the 2016 Bonds, the Trustee shall assign to each 2016 Bond the Outstanding a distinctive number for each \$5,000 of the principal amount of each such 2016 Bond. The 2016 Bonds to be redeemed shall be the 2016 Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such 2016 Bonds of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

***Partial Redemption of 2016 Bonds.*** In the event only a portion of any 2016 Bond is called for redemption, then upon surrender of such 2016 Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2016 Bond or 2016 Bonds of the same series interest rate and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2016 Bond to be redeemed.

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the 2016 Bonds so called for redemption shall have been duly provided, such 2016 Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

***Rescission.*** The Successor Agency will have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not or are not available on the date fixed for redemption for the payment in full of the 2016 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Successor Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

## **Parity and Subordinate Debt**

***Existing Parity Debt.*** When issued, the 2016 Bonds will be payable from Tax Revenues on a parity with the 2010 Bonds which are outstanding in the aggregate principal amount of \$29,650,000.

***Future Parity Debt.*** In addition to the 2010 Bonds and the 2016 Bonds, the Indenture authorizes the Successor Agency to, by Supplemental Indenture, issue or incur Parity Debt payable from Tax Revenues on a parity with the Bonds and payable from RPTTF Revenues on a parity with the 2016 Bonds and other Parity Debt (except the 2010 Bonds) to the extent

provided in the Dissolution Act, for the purpose of refinancing the 2010 Bonds and/or the 2016 Bonds in whole or in part in accordance with Section 34177.5 of the Dissolution Act, in such principal amount as shall be determined by the Successor Agency. The Successor Agency may issue and deliver any such other Parity Debt subject to the following specific conditions precedent to the issuance and delivery of such Parity Debt:

(a) The Successor Agency shall certify that no Event of Default (or no event with respect to which notice has been given and which, once all notice or grace periods have passed, would constitute an Event of Default) shall have occurred and then be continuing and that Annual Debt Service on the Parity Debt shall not be greater than Annual Debt Service with respect to the Bonds being refunded and the final maturity of the Parity Debt shall not be later than the final maturity of the Bonds being refunded;

(b) the Supplemental Indenture providing for the issuance of such Parity Debt shall provide that:

(i) Interest on said Parity Debt shall be payable on March 1 and September 1 in each year of the term of such Parity Debt except the first twelve month period, during which interest may be payable on any March 1 or September 1; and

(ii) The principal of such Parity Debt shall be payable on September 1 in any year in which principal is payable;

(c) the Supplemental Indenture providing for the issuance of such Parity Debt may provide for the establishment of separate funds and accounts;

(d) an opinion of Bond Counsel shall be rendered stating (i) that the Supplemental Indenture relating to the Parity Debt is valid and enforceable in accordance with its terms, (ii) that such Supplemental Indenture creates a valid pledge of which it purports to pledge, and (iii) that the total principal amount of Parity Debt to be issued or incurred and then Outstanding will not exceed any limit imposed by law;

(e) the Supplemental Indenture providing for the issuance of such Parity Debt shall provide for the deposit into a Parity Debt Reserve Subaccount of an amount required to cause the balance therein to equal the full amount of the Parity Debt Reserve Amount;

(f) the Successor Agency shall deliver to the Trustee a Written Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied; and

(g) If any 2010 Bonds shall remain Outstanding following such issuance, the Successor Agency shall comply with the additional requirements of the Original Indenture with respect to the issuance of Parity Debt.

Nothing in the Indenture precludes the Successor Agency from issuing additional indebtedness under Section 34177.5 of the Dissolution Act secured by RPTTF Revenues in accordance with such Dissolution Act. The Successor Agency is required under the Indenture to provide the Trustee with a Written Certificate confirming that the issuance of such indebtedness complies with Section 34177.5 of the Dissolution Act. To the extent permitted by law, any such indebtedness shall be on a parity with the pledge of RPTTF Revenues under the Indenture and shall not be subordinate thereto.

***Future Subordinate Debt.*** The Indenture permits the Successor Agency to issue or incur loans, advances or indebtedness that are either by their terms payable from, but not secured by a pledge of or lien upon, the Tax Revenues, or secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds ("**Subordinate Debt**"). The Successor Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Successor Agency shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures; and

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the Plan Limitations on the amount of Tax Revenues, then all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance or incurrence of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted within the Plan Limitations. See "THE SAN SEVAINE PROJECT AREA – Redevelopment Plan Limits No Longer Applicable" for discussion regarding the elimination of plan limits in redevelopment plans pursuant to SB 107 thereby effectively eliminating this condition in the Indenture.

If the holder of the Subordinate Debt is a commercial bank, savings bank, savings and loan association or other financial institution which is authorized by law to accept and hold deposits of money or issue certificates of deposit, such holder must agree to waive any common law or statutory right of setoff with respect to any deposits of the Successor Agency maintained with or held by such holder.

## THE DISSOLUTION ACT

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same lien priority and legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedule. See "SECURITY FOR THE SERIES 2016 BONDS – Recognized Obligation Payment Schedules."

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the 2016 Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the San Seavine Redevelopment Plan and the redevelopment plan for the Cedar Glen Project Area (the "**Cedar Glen Redevelopment Plan**"; together with the San Seavine Redevelopment Plan, the "**Redevelopment Plans**"), taxes levied upon taxable property in Project Areas each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "**taxing agencies**") after the effective date of the ordinance approving applicable Redevelopment Plan, or the respective effective dates of ordinances approving amendments to applicable Redevelopment Plan that added territory to Project Area, if any, are to be divided as follows:

(a) To Taxing Agencies: 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 the taxing agencies upon the total sum of the assessed value of the taxable property in applicable 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 the ordinance adopting the applicable Redevelopment Plan, or the respective effective dates of ordinances approving amendments to a Redevelopment Plan that added territory to the related Project Area, if any (the "**base year valuation**"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) To the Redevelopment Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are

attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within limitations established by the applicable Redevelopment Plan, if applicable, following the date of issuance of the 2016 Bonds, when collected will be paid into a special fund of the Successor Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. The Dissolution Act also affected whether the Successor Agency is entitled to receive revenues attributable to a override levy. See "THE SAN SEVAINE PROJECT AREA – Tax Rates" for information regarding the applicability of debt service overrides in the San Sevaire Project Areas and related assumptions regarding projected Tax Revenues available to pay debt service on the 2016 Bonds.

## SECURITY FOR THE 2016 BONDS

The County Auditor-Controller will deposit property tax revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Dissolution Act, including *inter alia* Health and Safety Code sections 34183 and 34170.5(b). The 2016 Bonds are payable from and secured by the Tax Revenues, RPTTF Revenues, Bond Tax Subsidy Payments and all moneys in certain funds and accounts established under the Indenture as described below.

### Pledge Under the Indenture

Pursuant to the Indenture, the Successor Agency transfers in trust, grants a security interest in and pledges to the Trustee for the benefit of the Owners from time to time of the Bonds, a security interest in and a first and exclusive lien on all of the Tax Revenues, and a first and exclusive pledge of, a security interest in and lien upon all of the moneys in the Special Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, the Redemption Account and the Redevelopment Fund, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Said pledge shall attach, be perfected and be valid and binding from and after delivery of the Bonds without any physical delivery thereof or further act. Except for the Tax Revenues, the RPTTF Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

Pursuant to the Indenture, the 2016 Bonds and any Parity Debt issued after the issuance of the 2016 Bonds are additionally secured by all RPTTF Revenues to the extent provided in the Dissolution Act. The Indenture further provides that if, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then RPTTF Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to California Health and Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. RPTTF Revenues, if any, received by the Successor Agency with respect to the 2016 Bonds and any Parity Debt shall be deposited promptly with the Trustee for deposit in the subaccounts of the Debt Service Fund for the 2016 Bonds and any Parity Debt secured by a pledge of such RPTTF Revenues and shall be treated for all purposes of the Indenture as Tax Revenues.

Pursuant to the Indenture, the Successor Agency also transfers in trust, grants a security interest in and pledges to the Trustee for the benefit of the Owners from time to time, a security interest in and a first and exclusive lien on any Bond Tax Subsidy Payments received by the Successor Agency with respect to the 2010B Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Indenture further provides that said pledge shall attach, be perfected and be valid and binding from and after delivery of the 2010 Bonds without any physical delivery thereof or further act. The Successor Agency represents in the Indenture that it has not previously made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Bond Tax Subsidy Payments that ranks on a parity with or prior to the pledge granted thereunder. Bond Tax Subsidy Payments, if any, received by the Successor Agency with respect to the 2010B Bonds shall be deposited promptly with the Trustee for deposit in the Debt Service Fund and treated for all purposes as Tax Revenues.

The Indenture further provides that it shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Bonds, and the covenants and agreements therein set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein.

## **Tax Revenues and RPTTF Revenues**

**Definitions.** In accordance with the Dissolution Act, the term “**Tax Revenues**” is defined under the Indenture to mean all taxes pledged and annually allocated to the Successor Agency with respect to the San Sevaire Project Area pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Redevelopment Law and Articles 10 and 11 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said code, as amended (the “**Law**”) and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the San Sevaire Redevelopment Plan, and all payments, subventions and reimbursements, if any, to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, but excluding such taxes (if any) (i) which are required to be deposited into the Low and Moderate Income Housing Fund of the Successor Agency pursuant to section 33334.3 of the Law for increasing and improving the supply of low and moderate income housing, and (ii) which constitute amounts payable by the Successor Agency under sections 33607.5 or 33607.7 of the Law for payments to affected taxing entities except and to the extent such amounts so payable are payable on a basis subordinate to the payment of the Bonds and any Parity Debt. Provided, however, that portion of such taxes required by section 33334.3 of the Law to be deposited in the Low and Moderate Income Housing Fund shall be available to repay that portion of any Bonds (including applicable reserves and financing costs) issued to increase or improve the supply of low and moderate income housing within or of benefit to the San Sevaire Project Area.

The term “**RPTTF Revenues**” is defined in the Indenture to mean moneys deposited from time to time in the Redevelopment Property Tax Trust Fund as and if available and subject to other claims, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, as and if available and subject to the equal and senior claims of indebtedness, if any, which may be attributable to project areas of the Successor Agency, other than the San Sevaire Project Area, if any, exclusive of amounts otherwise received as Tax Revenues under the Indenture.

The term “**Bond Tax Subsidy Payments**” is defined in the Indenture to mean the interest portion of Annual Debt Service that is reimbursed to or for the benefit of the Successor Agency by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009, Section 1400U-2 of the Act, or any future similar program) payable in respect of any Bonds, or, if applicable, similar payments received by or for the benefit of the Successor Agency in respect of any Parity Debt in lieu of tax-exempt treatment of such obligations for federal tax purposes.

**Housing Set-Aside.** Before it was amended by the Dissolution Act, the Redevelopment Law required the Former Agency to set aside not less than 20% of all tax increment generated in the San Sevaire Project Area into a low and moderate income housing fund to be used for



the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as “Housing Set-Aside.”

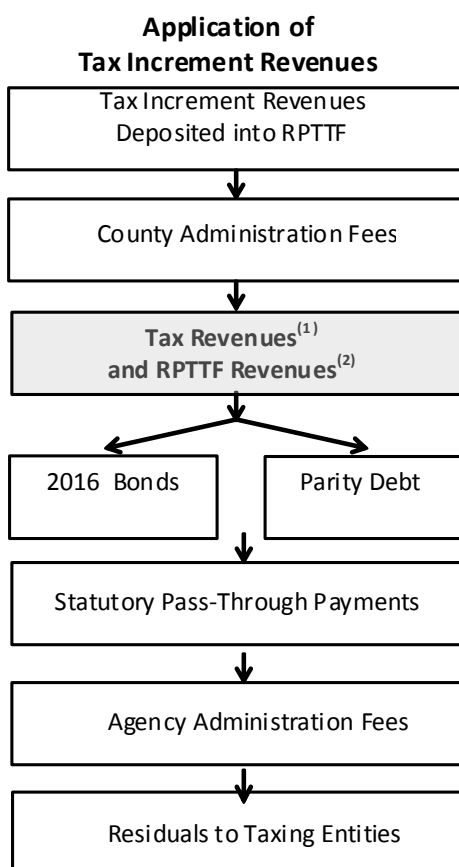
The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. As a result, and because the Successor Agency has no obligations that will be payable from Housing Set-Aside after the issuance of the 2016 Bonds, the former Housing Set-Aside is available to pay debt service on the 2016 Bonds; the projection of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled “THE SAN SEVAINE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage,” assumes the availability of the former Housing Set-Aside for this purpose.

### **Flow of Funds Under the Indenture**

**General.** Pursuant to the Indenture, the Successor Agency has established a special fund known as the “Special Fund.” Pursuant to the Indenture, the Successor Agency covenants and agrees that all Tax Revenues, when and as received and subject to the Dissolution Act, will be received by the Successor Agency in trust under the Indenture and shall be deemed to be held by the Successor Agency as agent for the Trustee, and will be immediately deposited by the Successor Agency with the Trustee in the Special Fund and will be accounted for through and held in trust in the Special Fund, and the Successor Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Tax Revenues, whether received by the Successor Agency in trust or deposited with the Trustee, all as provided in the Indenture, 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 Successor Agency.

In addition, the Successor Agency has covenanted in the Indenture to take all steps to ensure that the County Auditor-Controller (a) deposits the Tax Revenues into the Special Fund, (b) allocates funds for the principal and interest payments due on the Outstanding 2016 Bonds and any Parity Debt, any deficiency in the Reserve Account, including the 2016 Reserve Account (as defined below), and any subaccount therein pursuant to each valid Recognized Obligation Payment Schedule in accordance with the Dissolution Act and as provided in the Indenture and (c) make the transfers to the Trustee required under the Indenture.

The following diagram illustrates the application of tax increment revenues from the San Sevaime Project Area to the 2016 Bonds (and any Parity Debt, including the 2010 Bonds).



(1) Pursuant to the Indenture, Bond Tax Subsidy Payments received by the Successor Agency with respect to the 2010B Bonds are treated as Tax Revenues for all purposes thereunder.

(2) RPTTF Revenues are pledged to secure the 2016 Bonds and Parity Debt issued after the 2016 Bonds only, not the 2010 Bonds.

**Deposit of Amounts by Trustee.** Pursuant to the Indenture, a trust fund known as the “Debt Service Fund” has been established and is held by the Trustee under the Indenture in trust. The Trustee has established within each of the Interest Account, Principal Account and Sinking Account, a subaccount for each of the 2010 Bonds, 2016 Bonds and will establish subaccounts for each issue of Parity Debt for the purpose of holding funds payable with respect thereto. Tax Revenues and other moneys (other than RPTTF Revenues payable by reason of the pledge of such amounts to the 2016 Bonds and any Parity Debt, which are not available to the 2010 Bonds) in the Special Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts and in the following order of priority:

**Interest Account.** On or before the fifth Business Day preceding each Interest Payment Date, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least

equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. 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 redeemed prior to maturity pursuant to the Indenture).

**Principal Account.** On or before the fifth Business Day preceding September 1 in each year, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and maturing Term Bonds on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Serial Bonds and maturing Term Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and maturing Term Bonds as it shall become due and payable.

**Sinking Account.** No later than the fifth Business Day preceding each September 1 on which any Outstanding Term Bonds are subject to mandatory redemption pursuant to the Indenture, or otherwise for purchases of Term Bonds pursuant to the Indenture, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds required to be redeemed on such September 1 pursuant to the Indenture. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon redemption or purchase pursuant to the Indenture.

**Reserve Account.** Pursuant to the Indenture, a separate account within the Debt Service Fund has been established to be known as the "Reserve Account" with subaccounts therein for each of the 2010 Bonds, 2016 Bonds and any Parity Debt, to be named the 2010 Bonds Subaccount, 2016 Bonds Subaccount and the Parity Debt Subaccount, respectively. Amounts in each subaccount shall secure and be applied to pay only the 2010 Bonds, 2016 Bonds and Parity Debt to which the subaccount applies, and no other. See "– Debt Service Reserve Account" for further information regarding the Reserve Account.

**Redemption Account.** On or before the fifth Business Day preceding any date on which Bonds are to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund and deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to the Indenture, taking into account any funds then on deposit in the Redemption Account. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Successor Agency designated by the Successor Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to the Indenture on the dates set for such redemption.

The Indenture further provides that RPTTF Revenues, if any, received by the Successor Agency with respect to the 2016 Bonds and any Parity Debt shall be deposited promptly with the Trustee for deposit in the subaccounts of the Debt Service Fund for the 2016 Bonds and any Parity Debt secured by a pledge of such RPTTF Revenues. The Trustee is authorized to

establish a separate subaccount in each account of the Debt Service Fund to account for the deposit and application of the RPTTF Revenues received.

### **Debt Service Reserve Account**

**Definition of 2016 Reserve Amount.** The Indenture defines “**2016 Reserve Amount**” to mean the greater of (i) the Reserve Requirement (as defined below) for the 2016 Bonds, computed as if no other Bonds or Parity Debt were outstanding, (ii) the original principal amount of a debt service reserve account policy for the 2016 Bonds, if any, and (iii) so long as any of the 2010 Bonds are Outstanding, the amount by which the aggregate Reserve Requirement applicable to all Bonds and Parity Debt exceeds the amount on deposit in the 2010 Reserve Subaccount and the Parity Debt Reserve Subaccount.

The Indenture defines “**Reserve Requirement**” to mean, as of any calculation date, an amount, calculated by or on behalf of the Successor Agency and certified to the Trustee in writing, equal to the least of (a) Maximum Annual Debt Service, (b) 125% of average Annual Debt Service, and (c) ten percent (10%) of the original principal amount of the Outstanding Bonds.

The 2016 Reserve Amount will be satisfied by the delivery of the 2016 Reserve Policy on the Closing Date as described above.

**Use of Moneys in the Reserve Account.** In the event that a Responsible Officer of the Trustee has actual knowledge that the amount on deposit in the 2010 Reserve Subaccount, 2016 Reserve Subaccount or Parity Debt Reserve Subaccount, respectively, at any time is less than the 2010 Reserve Amount, 2016 Reserve Amount or Parity Debt Reserve Amount, the Trustee shall promptly notify the Successor Agency of such fact. In addition and notwithstanding the foregoing, so long as the portion of the Reserve Requirement is covered by the 2016 Reserve Policy, in the event the Successor Agency fails to deposit with the Trustee no later than five Business Days before any Interest Payment Date, the full amount of the interest and principal and sinking account payments required to be deposited under the Indenture, the Trustee will, five Business Days before such Interest Payment Date, give Notice of Nonpayment, as defined in the 2016 Reserve Policy, to the 2016 Insurer and the Successor Agency. Upon receipt of payment from the 2016 Insurer, the Trustee shall deposit such amounts in the applicable subaccount of the Interest Account or Principal Account to the extent of any shortfall therein as required by the Indenture. Amounts payable under the 2016 Reserve Policy shall only be used to secure payments due on the 2016 Bonds. Promptly upon receipt of any such notice applicable to the 2010 Reserve Subaccount, 2016 Reserve Subaccount or Parity Debt Reserve Subaccount, the Successor Agency shall transfer to the Trustee Tax Revenues sufficient to maintain the applicable 2010, 2016 or Parity Debt Reserve Amount on deposit in the applicable subaccount and any amount so transferred shall be applied pro rata, to any, deficient accounts, provided, however, amounts to pay 2016 Reserve Policy costs in excess of the principal amount of the 2016 Reserve Policy if such amount had been computed based upon the Reserve Requirement attributable to the 2016 Bonds shall be reimbursed only from amounts otherwise treated as surplus under the Indenture. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the applicable 2010, 2016 or Parity Debt Reserve Amount on deposit in the subaccounts of the Reserve Account, the Successor Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the applicable 2010, 2016 or Parity Debt Reserve Amount on deposit in the Reserve Account to be applied by the Trustee to subaccounts in accordance with the preceding sentence. No such transfer and

deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the applicable 2010, 2016 or Parity Debt Reserve Amount. Amounts in the applicable 2010 Reserve Account, 2016 Reserve Account or Parity Debt Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the applicable subaccount of the Interest Account, the Principal Account and the Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all or a portion of the Bonds of the applicable issue then Outstanding, except that so long as the Successor Agency is not in default under the Indenture, any amount in the applicable subaccount of the Reserve Account in excess of the applicable 2010 Reserve Account, 2016 Reserve Account or Parity Debt Reserve Account (as determined by the Trustee based upon a valuation of investments held in such account performed in accordance with the Indenture) shall be withdrawn from the applicable subaccount of the Reserve Account semiannually on or before the Business Day preceding each March 1 and September 1 by the Trustee and deposited in the applicable subaccount of the Interest Account. All amounts in the applicable subaccount of the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the applicable subaccount of the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture, or (ii) if the Successor Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the written request of the Successor Agency, to the Successor Agency for deposit by the Successor Agency into the Special Fund.

With respect to the 2016 Bonds and any Parity Debt (but not with respect to the 2010 Bonds), the Successor Agency reserves the right to substitute, at any time and from time to time, but with the prior written consent of the 2016 Insurer, one or more letters of credit or other forms of guarantee from a financial institution the long-term unsecured obligations of which are rated not less than "AA" by Moody's or S&P or by such rating agency then rating the Bonds, or surety bonds or bond insurance policies issued by companies the long-term obligations of which are rated not less than "AA" by Moody's or S&P or by such rating agency then rating the Bonds, in lieu of or in substitution for all or any portion of the moneys then constituting the Reserve Requirement. Any such letter of credit, surety bond, bond insurance policy or other form of guarantee shall provide that the Trustee is entitled to draw amounts thereunder when required for the purposes of making transfers from the Reserve Account to the Interest Account, the Principal Account and the Sinking Account in the event of a deficiency in any such account. Upon deposit by the Successor Agency with the Trustee of any such letter of credit, surety bond, bond insurance policy or other form of guarantee, the Trustee shall withdraw from the Reserve Account and transfer to the Successor Agency for deposit in the Redevelopment Fund moneys in an amount equal to the maximum limits or principal amount, as applicable, of such letter of credit, surety bond, bond insurance policy or other form of guarantee.

See "APPENDIX A – Summary of Certain Provisions of the Indenture" for a summary of certain additional provisions in the Indenture regarding the 2016 Reserve Policy.

### **Limited Obligation**

The 2016 Bonds are not a debt of the County the State or any of their political subdivisions except the Successor Agency, and none of the County, the State or any of their political subdivisions except the Successor Agency are liable therefor. The 2016 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board or the Board of

Supervisors of the County shall be individually or personally liable for the payment of the principal of or interest on the 2016 Bonds; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

## **Recognized Obligation Payment Schedules**

***Submission of Recognized Obligation Payment Schedule.*** The Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule (the "**Recognized Obligation Payment Schedule**") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Recognized Obligation Payment Schedules must be submitted for such approval not less than 90 days prior to each January 2 and June 1 up to and including 90 days prior to January 2, 2016 (or October 4, 2015 for the period covering January 2, 2016 through June 30, 2016).

Commencing on February 1, 2016, successor agencies will be transitioned to an annual Recognized Obligation Payment Schedule process. Under the annual process, successor agencies will be required to file Recognized Obligation Payment Schedules with the DOF and the County Auditor-Controller for approval each February 1 for the July 1 through June 30 period immediately following such February 1. For example, on February 1, 2016, the Successor Agency will be required to file a Recognized Obligation Payment Schedule for the period commencing July 1, 2016 through June 30, 2017.

Commencing on September 22, 2015, successor agencies that have received a Finding of Completion and the concurrence of the DOF as to the items that qualify for payment, among other conditions, at their option may file a "Last and Final" Recognized Obligation Payment Schedule. If approved by the DOF, the Last and Final Recognized Obligation Payment Schedule will be binding on all parties and the Successor Agency will no longer submit a Recognized Obligation Payment Schedule to the DOF or the Oversight Board. The county auditor-controller will remit the authorized funds to the Successor Agency in accordance with the approved Last and Final Recognized Obligation Payment Schedule until each remaining enforceable obligation has been fully paid. A Last and Final Recognized Obligation Payment Schedule may only be amended twice, and only with approval of the DOF and the County Auditor-Controller. The Successor Agency has covenanted in the Indenture not to file a Last and Final Recognized Obligation Payment Schedule without the consent of AGM.

***Payment of Amounts Listed on the Recognized Obligation Payment Schedule.*** As defined in the Dissolution Act, "**enforceable obligation**" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency or the successor agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency or the successor agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency's low and moderate income housing fund.

***Order of Priority of Distributions from Redevelopment Property Tax Trust Fund.***

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

(i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (if any, as described below under “SECURITY FOR THE 2016 BONDS – Statutory Pass-Through Payments”) and no later than each January 2 and June 1, to each local successor agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;

(ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity’s share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

The Dissolution Act requires county auditor-controllers to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under tax sharing agreements and for statutory pass-through obligations to the taxing entities on each January 2 and June 1 before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund, unless: (i) pass-through payment obligations have been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded to by the Successor Agency; (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the applicable January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency’s enforceable obligations, pass-through payments and the Successor Agency’s administrative cost allowance for the applicable Recognized Obligation Payment Schedule period; and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes.

If the requirements set forth in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed on the applicable January 2 or June 1 property tax distribution date

(as adjusted for weekends and holidays). To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency's enforceable obligations, pass-through payments and the Successor Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable Recognized Obligation Payment Schedule period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under subordinated tax sharing agreements, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. The Dissolution Act provides for a procedure by which the Successor Agency may make statutory pass-through payments subordinate to the 2016 Bonds. The Successor Agency has undertaken the requisite procedures to obtain such subordination of the statutory pass-through payments and, therefore, statutory pass-through payments are subordinate to the payment of debt service on the 2016 Bonds as described below. See "SECURITY FOR THE 2016 BONDS — Statutory Pass-Through Payment Obligations in the San Sevaire Project Area." The Former Agency did not enter into any pass-through agreements with respect to the San Sevaire Project Area. See "SECURITY FOR THE 2016 BONDS — No Negotiated Pass-Through Agreements." The Successor Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the Tax Revenues and the subordinations of statutory pass-through payments will effectively result in adequate Tax Revenues for the payment of principal and interest on the 2016 Bonds when due.

**Sources of Payments for Enforceable Obligations.** Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the low and moderate income housing fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance (successor agencies are entitled to receive not less than \$250,000, unless that amount is reduced by the oversight board), (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by a successor agency and only from the funds specified in the Recognized Obligation Payment Schedule.

**Relevant Covenant by the Successor Agency.** The Successor Agency covenants in the Indenture to take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedule for each six-month or other applicable period all payments expected to be made to the Trustee in order to satisfy the requirements of the Indenture, including any amounts required to pay principal and interest payments due on the Outstanding Bonds and any Parity Debt, and any deficiency in the Reserve Account, and any subaccount therein to the full amount of the Reserve Requirement. The Successor Agency further covenants to include in its Recognized Obligation Payment Schedule the amounts required to be transmitted to the Trustee for deposit in the Special Fund.

In particular, commencing February 1, 2016, in order to ensure that amounts are available for the Trustee to make timely payments on all 2016 Reserve Policy Costs, Bond



Insurer Reimbursement Amounts under the Bond Insurance Policy, and the principal of, and interest on, the Bonds and any Parity Debt coming due with respect to the applicable Semiannual Period and for the applicable Bond Year in accordance with the Indenture, not later than February 1 of each year, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the DOF and to the County Auditor-Controller that shall include (i) all amounts necessary to pay debt service on all Bonds and other Parity Debt in accordance with the Successor Agency's obligations described in the Indenture, to be paid to the Successor Agency from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on June 1 and January 2 of the following calendar year, (ii) any amount required to be deposited in the Reserve Account and subaccounts therein, in order to maintain in the Reserve Account the amount of the Reserve Requirement or applicable Reserve Amount, as applicable and (iii) all 2016 Reserve Policy Costs and Bond Insurer Reimbursement Amounts under the Bond Insurance Policy due in the applicable Semiannual Period. Such actions shall further include, without limitation, placing on the periodic Recognized Obligation Payment Schedules for approval by the Oversight Board and the DOF, the amounts to be held by the Successor Agency as a reserve, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture for the next payment due in the following Semiannual Period or to otherwise comply with the Successor Agency's obligations described in the Indenture. The Indenture defines the term "**Semiannual Period**" to mean (a) each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and (b) each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period (or otherwise) to pay the principal of and interest on the 2016 Bonds. See "RISK FACTORS."

***History of Submission of the Recognized Obligation Payment Schedules.*** The Successor Agency has procedures in place to ensure full and timely compliance with the above-described covenant. The Successor Agency has submitted its Recognized Obligation Payment Schedules on a timely basis as described below.

	<b>Funding Period</b>	<b>ROPS Approved by Oversight Board</b>	<b>Approved ROPS Submitted to DOF</b>	<b>Deadline to Submit ROPS to DOF</b>	<b>ROPS Submitted On Time?</b>
ROPS I	1/1/12-6/30/12	4/9/2012	4/12/2012	4/15/12	Yes
ROPS II	7/1/12-12/31/12	5/10/2012	5/10/2012	5/15/12	Yes
ROPS III	1/1/13-6/30/13	8/23/2012	8/23/2012	9/4/12	Yes
ROPS 2013-14A	7/1/13-12/31/13	2/28/2013	2/28/2013	3/1/13	Yes
ROPS 2013-14B	1/1/14-6/30/14	9/26/2013	9/30/2013	10/1/13	Yes
ROPS 2014-15A	7/1/14-12/31/14	2/27/2014	2/28/2014	3/3/14	Yes
ROPS 2014-15B	1/1/15-6/30/15	9/25/2014	9/29/2014	10/3/14	Yes
ROPS 2015-16A	7/1/15-12/31/15	2/26/2015	2/27/2015	3/3/15	Yes
ROPS 2015-16B	1/1/16-6/30/16	9/24/2015	9/25/2015	10/4/15	Yes

In addition, there are strong incentives for the Successor Agency to submit Recognized Obligation Payment Schedules on time. If the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board, the County Auditor-Controller and the DOF at least 90 days prior to each January 2 and June 1 up to and including January 2, 2016 and each February 1 commencing February 1, 2016 (unless the Successor Agency elects to file a Last and Final Recognized Obligation Payment Schedule), then the Successor Agency

will be subject to a \$10,000 per day civil penalty for every day the schedule is not submitted to the DOF. See “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules for discussion regarding submission of Last and Final Recognized Obligation Payment Schedule. Additionally, if the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the DOF within 10 days of the deadline, then the Successor Agency’s maximum administrative cost allowance may be reduced by up to 25%. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications for the 2016 Bonds, see “RISK FACTORS – Recognized Obligation Payment Schedules.”

### **No Negotiated Pass-Through Agreements**

The Redevelopment Law authorized the Former Agency to enter into negotiated pass-through agreements with taxing agencies whose territory was located within the San Sevaire Project Area to alleviate the financial burden or detriment caused by the San Sevaire Project Area. The Redevelopment Law as amended by ABx1 26 and AB 1484 requires that the County calculate and pay the tax sharing obligations of the former redevelopment agencies as part of the process of allocating revenue from the Redevelopment Property Tax Trust Fund each January 2 and June 1. The legislation requires that the calculations be done in the same manner as prior to January 1, 2011. The Former Agency did not enter into any pass-through agreements with respect to the San Sevaire Project Area.

### **Statutory Pass-Through Payments**

**General.** In certain circumstances, Sections 33607.5 and 33607.7 of the Redevelopment Law require redevelopment agencies and successor agencies to make statutory pass-through payments to taxing agencies whose territory is located within a redevelopment project area, to alleviate the financial burden or detriment caused by the redevelopment project.

Generally speaking, the County Auditor-Controller is required to deduct from the Successor Agency’s Redevelopment Property Tax Trust Fund to pay to the affected taxing agencies percentages of tax increment generated in a project area as follows:

Tier 1: throughout the period that the Successor Agency is eligible to receive property tax revenues from a project area, 25% of revenues in excess of revenues generated in such project area from the date the San Sevaire Redevelopment Plan for such project area was adopted, for post-1994 plans, and from the year in which one of several specified plan limitations would have been reached, in the absence of an amendment to a redevelopment plan extending or eliminating such limitation, for pre-1994 plans with such amendments, all computed as though housing set-aside is still in effect; plus,

Tier 2: for the 11th year of the receipt of tax increment and thereafter, 21% of revenues in excess of revenues based on assessed values in the San Sevaire Project Area for the 10th year of statutory pass-through payments; plus,

Tier 3: for the 31st year of the receipt of tax increment and thereafter, 14% of revenues in excess of revenues based on assessed values in the San Sevaire Project Area for the 30th year of statutory pass-through payments.

**Statutory Pass-Through Obligations in the San Sevaire Project Area.** In 1993, the State Legislature enacted Assembly Bill 1290 (“**AB 1290**”), which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues. Under AB 1290, redevelopment agencies were required to commence making pass-through payments under Section 33607.7 of the Redevelopment Law to certain taxing entities with respect to project areas formed on or before 1993, upon amendment of the related redevelopment plans to eliminate the time during which the redevelopment agency could incur debt with respect to particular project areas as set for in such redevelopment plans, to extend the life of the San Sevaire Redevelopment Plan= or to increase the tax increment limit.

Under AB 1290, statutory pass-through payments were required to commence in the first year following the year in which the first of the revised limits would otherwise have gone into effect. With respect to project areas formed or territory added to existing project areas after 1993, AB 1290 required redevelopment agencies to commence making pass-through payments under 33607.7 of the Redevelopment Law upon formation of such project areas.

Statutory pass-through payments are required to be made pursuant to AB 1290 with respect to the San Sevaire Project Area because it was formed after January 1, 1993.

**Subordination of Statutory Pass-Through Payments.** Statutory pass-through payments are payable on a senior basis to debt service on bonds under the Dissolution Act, unless the pass-through payments have been subordinated. The Redevelopment Law, as amended by the Dissolution Act, allows statutory pass-through payments to be subordinated to debt service on the Successor Agency’s bonds. **The Successor Agency did seek and obtained the consent from taxing entities to subordinate their right to receive statutory payments to the payment of debt service on the 2016 Bonds. Accordingly, the payment of debt service on the 2016 Bonds is payable on a senior basis to the payment of statutory pass-through payments from the San Sevaire Project Area.** See “SECURITY FOR THE 2016 BONDS – Recognized Obligation Payment Schedule – Order of Priority of Distribution from Redevelopment Property Tax Trust Fund” for a discussion of the procedures for accessing subordinated pass-through amounts to pay debt service.

See “APPENDIX H – FISCAL CONSULTANT’S REPORT” for information about the Former Agency’s statutory pass-through obligations and the County’s payment practices with regard to statutory pass-through payments.

## MUNICIPAL BOND INSURANCE

*The following information has been furnished by AGM for use in this Official Statement. No representation is made by the Successor Agency or the Underwriter as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. See APPENDIX I for a specimen of the Bond Insurance Policy.*

### Bond Insurance Policy

Concurrently with the issuance of the 2016 Bonds, AGM will issue its Bond Insurance Policy. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Bond Insurance Policy included as Appendix I to this Official Statement. The scheduled payment of principal of and interest on the maturities of the 2016 Bonds to be guaranteed under the Bond Insurance Policy will be determined by the Successor Agency in connection with the pricing of the Bonds.

The Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“**AGL**”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“**S&P**”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“**KBRA**”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“**Moody’s**”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

**Current Financial Strength Ratings.** On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). On February 18, 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

**Capitalization of AGM.** At September 30, 2015, AGM's policyholders' surplus and contingency reserve were approximately \$3,769 million and its net unearned premium reserve was approximately \$1,603 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

**Incorporation of Certain Documents by Reference.** Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "**SEC**") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 (filed by AGL with the SEC on August 6, 2015); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015 (filed by AGL with the SEC on November 6, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof

from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52<sup>nd</sup> Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "**AGM Information**") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

***Miscellaneous Matters.*** AGM makes no representation regarding the 2016 Bonds or the advisability of investing in the 2016 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

## PROPERTY TAXATION IN CALIFORNIA

### Property Tax Collection Procedures

**Classification.** In the State, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property (including equipment and inventory that is not otherwise affixed to real property and therefore assessed on the secured assessment roll) does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens.

Generally, ad valorem taxes are collected by a county (the “**Taxing Authority**”) for the benefit of the various entities (e.g., cities, schools and special districts) that share in the ad valorem tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Funds.

**Collections.** Secured and unsecured property is entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) 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, (iii) filing a certificate of delinquency for recording in the county recorder’s office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

**Penalty.** A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

**Delinquencies.** The valuation of property is determined as of the January 1 lien date as equalized in August of 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 January 1 and become delinquent August 31.

**Supplemental Assessments.** California Revenue and Taxation Code Section 75.70 (Chapter 498 of the Statutes of 1983) provides for the reassessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Such

reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property. Since fiscal year 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes.

Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased or decreased property taxes from the new assessments for up to 14 months. This statute provides increased or decreased revenue to the Redevelopment Property Tax Trust Fund to the extent that Supplemental Assessments 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 San Sevaire Project Area, Tax Revenues may increase or decrease. The Fiscal Consultant has not included supplemental assessments in the projections of Tax Revenues.

**Property Tax Administrative Costs.** In 1990, the State Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to recover charges for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each, in an amount equal to the fiscal year 1989-90 property tax administration costs, as adjusted annually.

SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 2557/SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

**Such payments are payable on a senior basis to debt service on the 2016 Bonds.**

See "THE SAN SEVAIRE PROJECT AREA - County Collection Charges" for information about the charges payable by the Successor Agency.

**Recognized Obligation Payment Schedule.** See "SECURITY FOR THE 2016 BONDS – Recognized Obligation Payment Schedules" and "RISK FACTORS – Recognized Obligation Payment Schedules."

### **Rate of Collections**

The County has not adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**") or similar plans with respect to redevelopment project areas in the County. Consequently, property tax revenues from the San Sevaire Project Area reflect actual collections with adjustment for delinquencies and roll corrections, such as refunds due to successful appeals of assessed values. Therefore, the amount of the levy of property tax revenue that could be allocated to the Successor Agency depends upon the actual collections of taxes within the San Sevaire Project Area. Substantial



delinquencies in the payment of property taxes could impair the timely receipt by the Successor Agency of Tax Revenues. However, based on the Fiscal Consultant's projections, the Successor Agency believes substantial debt service coverage on the 2016 Bonds will exist in the future. See “– Projected Tax Revenues and Estimated Debt Service Coverage” below.

### **Unitary Property**

Legislation enacted in 1986 and 1987 provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization (“**SBE**”), other than railroads. Prior to fiscal year 1988-89, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area.

Assembly Bill (“**AB**”) 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (ii) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro rata county wide; and (iii) any increase in revenue above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the county. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modified Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the SBE. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area; therefore, the respective base year value of each Project Area has been reduced by the amount of utility value that existed originally in the base year.

### **Article XIII A of the State Constitution**

Article XIII A limits the amount of ad valorem taxes on real property to 1% of “full cash value” of such property, 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.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the

event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership,” for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the State Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the State Legislature’s action, the growth of property tax revenues may decline.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Each year the SBE announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. The changes in the California Consumer Price Index from October of one year to October of the next year are used to determine the adjustment factor for the January assessment date. During the ten previous fiscal years, the inflation factor has been less than 2% on four occasions. The table below reflects the inflation adjustment factors for the current fiscal year, the 10 prior fiscal years and the adjustment factor for fiscal year 2016-17.

### **Historical Inflation Adjustment Factors**

<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2006-07	2.000%
2007-08	2.000
2008-09	2.000
2009-10	2.000
2010-11	-0.237
2011-12	0.753
2012-13	2.000
2013-14	2.000
2014-15	0.454
2015-16	1.998
2016-17	1.525

### **Appropriations Limitation – Article XIII B**

Article XIII B limits the annual appropriations of the State and its political subdivisions 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 government entity. The “base year” for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by a redevelopment agency of proceeds of taxes levied by or on behalf of a redevelopment agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

### **Proposition 87**

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (other than the Former Agency or the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies. Effective September 22, 2015, the Dissolution Act provides that such debt service override revenues approved by the voters for the purpose of supporting pension programs, capital projects, or programs related to the State Water Project that are not pledged to or not needed for debt service on successor agency obligations will be allocated and paid to the entity that levies the override. See “THE SAN SEVAINE PROJECT AREAS – Tax Rates” for information regarding the applicability of debt service overrides in the San Sevaime Project Areas and related assumptions regarding projected Tax Revenues available to pay debt service on the 2016 Bonds.

## **Appeals of Assessed Values**

Pursuant to State law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "**Appeals Board**"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the "base year" value of an assessment, which generally must be made within four years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for "ongoing hardship" in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted.

See "THE SAN SEVAINE PROJECT AREA – Appeals of Assessed Values; Proposition 8 Reductions" for information regarding historical and pending appeals of assessed valuations by property owners in the San Sevaime Project Area.

### **Proposition 8**

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

See “THE SAN SEVAINE PROJECT AREA – Appeals of Assessed Values; Proposition 8 Reductions” for information regarding recent history of Proposition 8 reductions in the San Sevaïne Project Area.

### **Propositions 218 and 26**

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIIC of the State Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the State Constitution.

Tax Revenues securing the 2016 Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and Proposition 26.

### **Future Initiatives**

Article XIIA, Article XIIB, Article XIIC and Article XIID and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting Successor Agency revenues or the Successor Agency’s ability to expend revenues.

## **THE SUCCESSOR AGENCY**

As described in “INTRODUCTION,” the Dissolution Act dissolved the Former Agency as of February 1, 2012. Thereafter, pursuant to Section 34173 of the Dissolution Act, the County became the Successor Agency to the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the County, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the County nor will the assets of the Former Agency become assets of the County. The Board of Supervisors convenes as the governing board of the Successor Agency. County staff serves as staff to the Successor Agency.

### **Successor Agency Powers**

All powers of the Successor Agency are vested in its five members who are elected members of the Board of Supervisors of the County. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the County and succeeds to the organizational status of the Former Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Former Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, substantially all Successor Agency actions are subject to approval by the Oversight Board, as well as review by the DOF.

### **Status of Compliance with Dissolution Act**

The Dissolution Act requires a due diligence review to determine the unobligated balances of each successor agency that are available for transfer to taxing entities. The due diligence review involves separate reviews of each successor agency’s low and moderate income housing fund and of all other funds and accounts. Once a successor agency completes the due diligence review and any transfers to taxing entities, the DOF will issue a finding of completion that expands the authority of each successor agency in carrying out the wind down process. A finding of completion allows a successor agency to, among other things, retain real property assets of the dissolved redevelopment agency and utilize proceeds derived from bonds issued prior to January 1, 2011.

The Successor Agency has completed the due diligence process and received its Finding of Completion on December 5, 2013.

After receiving a finding of completion, each successor agency is required to submit a Long Range Property Management Plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to satisfy an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies within six months of receiving a finding of completion, and the DOF will review these plans as submitted on a rolling basis.

The DOF approved the Successor Agency’s Long Range Property Management Plan on September 10, 2015.

## **Outstanding Bonded Indebtedness of the Successor Agency**

Other than the 2005 Bonds, the 2010 Bonds and the 2010 Cedar Glen Bonds, the Successor Agency has no other bonded indebtedness outstanding and no other obligations that are secured by a pledge of Tax Revenues or RPTTF Revenues.

## **Project Areas**

As described in "INTRODUCTION," the County established or participated in the establishment of three project areas other than the San Sevaire Project Area.

*Cedar Glen Redevelopment Project Area.* This project area was created in November, 2004. It covers approximately 894 acres of land in the San Bernardino Mountains and was created under the provisions of the Law relating to disaster areas and, in this case, covers the Cedar Glen area that was destroyed by the "Old Fire" in 2003. The Successor Agency receives property tax revenues from the Cedar Glen Redevelopment Project Area, and those property tax revenues are included in the RPTTF Revenues pledged to the 2016 Bonds, although the definition of RPTTF Revenues excludes amounts needed to pay the 2010 Cedar Glen Bonds.

*Mission Boulevard Joint Redevelopment Project Area.* This project area was created in 2003 as a joint project with the City of Montclair. It contains a total of 404 acres of which approximately 100 acres are in unincorporated County area. The major non-housing activities in this project area are to be administered by the City of Montclair under a Cooperation and Implementation Agreement. The Successor Agency does not receive property tax revenues from this project area.

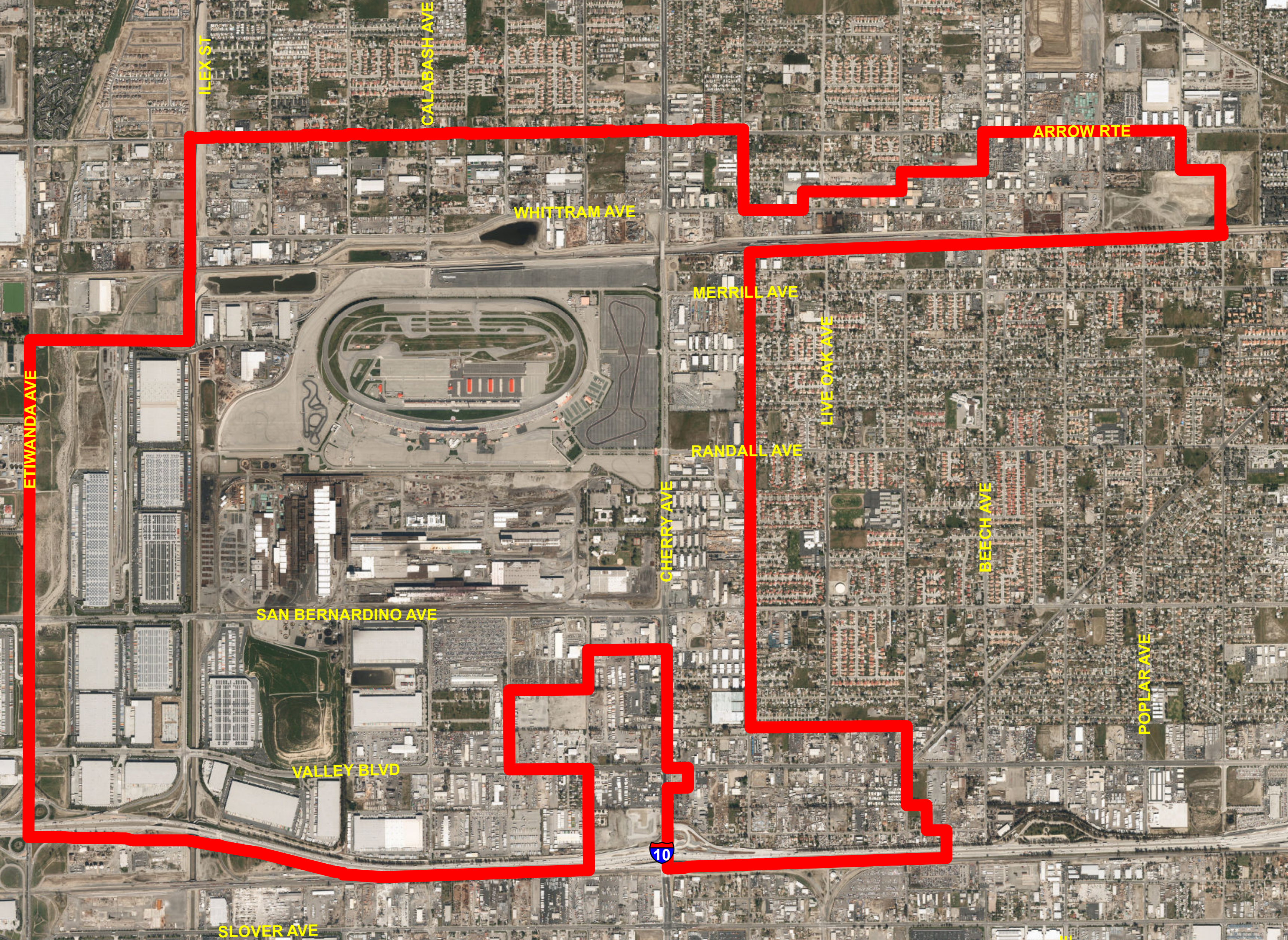
*Victor Valley Redevelopment Project Area.* This project area was created in 1993 pursuant to special State enabling legislation for military base reuse (George Air Force Base). It covers areas within the jurisdictions of the cities of Adelanto, Apple Valley, Hesperia and Victorville and the County. This project area operates under a joint powers authority which contracts with the City of Victorville for administrative support. The Successor Agency has redevelopment authority over those portions located in unincorporated areas. The primary function of this project area is to mitigate the economic impact resulting from closure of George Air Force Base. The Successor Agency does not receive property taxes revenues from this project area.

The Fiscal Consultant Report and this Official Statement do not describe the Cedar Glen Project Area because in fiscal year 2015-16, Tax Revenues (which are generated only in the San Sevaire Project Area) are expected to provide 231% debt service coverage on the 2010 Bonds and the 2016 Bonds, and RPTTF Revenues are expected to be only \$128,000 in fiscal year 2015-16, resulting in additional debt service coverage for the 2016 Bonds of only 2%. In sum, the Fiscal Consultant Report and the Official Statement do not describe Cedar Glen Project Area, which is the only other redevelopment project area from which the Successor Agency receives property tax revenues, because the Successor Agency believes that the additional debt service coverage provided by the RPTTF Revenues is not material to owners of the 2016 Bonds

Set forth on the following pages are (i) a map of the County, showing the San Sevaire Project Area and the Cedar Glen Project Area and (ii) a map of the San Sevaire Project Area.







ETIWANDA AVE

ILEX ST

CALABASH AVE

WHITTRAM AVE

MERRILL AVE

RANDALL AVE

CHERRY AVE

LIVE OAK AVE

BEECH AVE

POPLAR AVE

ARROW RTE

SAN BERNARDINO AVE

VALLEY BLVD

SLOVER AVE





## THE SAN SEVAINE PROJECT AREA

### Redevelopment Plan Limitations No Longer Applicable

In accordance with the Redevelopment Law, redevelopment plans, including the Redevelopment Plans, were required to include certain limits on the financing of redevelopment projects. These limits could include a time limit on the life of the redevelopment plan, a time limit on the incurrence of indebtedness, a time limit on the receipt of property tax increment and the repayment of indebtedness and a limit on the amount of bonded indebtedness outstanding at any time.

On September 22, 2015, the Governor signed SB 107, which effected changes to the Dissolution Act. Solely for the purposes of the payment of enforceable obligations, including the 2016 Bonds, and for no other purpose whatsoever, a successor agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law and included within the Redevelopment Plans. Under this change, the Successor Agency will continue to be allocated revenue from all former project areas through the RPTTF until such time as all enforceable obligations have been repaid.

### Land Use

Table 1 below shows the breakdown of land use in the San Sevaire Project Area, by the number of parcels and by their assessed value for fiscal year 2015-16. Unsecured and SBE non-unitary values are connected with parcels that are already accounted for in other categories. The Fiscal Consultant notes that the figures below include the net taxable value for all parcels. According to the Fiscal Consultant, this information is based on County land use designations as provided by the County.

**TABLE 1**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY**  
**OF THE COUNTY OF SAN BERNARDINO**  
**Land Use Category Summary - Fiscal Year 2015-16**

	<u>Parcels</u>	<u>2015-16 Assessed Valuation</u>	<u>% of Total</u>
Residential	339	\$ 61,313,557	3.2%
Commercial	77	64,090,950	3.3
Industrial	269	1,440,347,215	74.0
Dry Farm	1	1,509,713	0.1
Institutional	1	728,850	0.0
Miscellaneous	11	12,439,233	0.6
Recreational	1	73,329,048	3.8
Vacant land	155	59,187,644	3.0
Exempt	125	0	0.0
<b>Subtotal</b>	<b>979</b>	<b>\$1,712,946,210</b>	<b>88.0%</b>
SBE Nonunitary		1,603,006	0.1
Unsecured		230,568,441	11.9
<b>Subtotal</b>		<b>\$ 232,171,447</b>	<b>12.0%</b>
<b>Total</b>	<b>979</b>	<b>\$1,945,117,657</b>	<b>100.0%</b>

*Source: HdL Coren & Cone; County Assessor 2015-16 Combined Tax Rolls.*

The vacant parcels within the San Sevaine Project Area total 395.39 acres, out of approximately 3,424 acres within the San Sevaine Project Area, according to County Assessor maps and other County records.

The Fiscal Consultant's report includes separate tables showing the breakdown of land use in the Original San Sevaine Area and the San Sevaine Amendment Area and the allocation of vacant parcels in the Original San Sevaine Area and the San Sevaine Amendment Area.

### **Assessed Value Information**

**Assessed Valuations.** Taxable values are prepared and reported by the County Auditor-Controller each fiscal year. The taxable values represent the aggregation of all locally assessed properties that are within the San Sevaine Project Area. The assessments are assigned to Tax Rate Areas ("**TRA**") that are coterminous to the boundaries of the San Sevaine Project Area. Detailed historical assessed values for the San Sevaine Project Area are shown in Table 2 below.

Between fiscal years 2006-07 and 2015-16, the taxable value within the San Sevaine Project Area increased by \$502.16 million (34.80%) in the aggregate, although such growth was not experienced uniformly among each of the component project areas. This represents an average annual growth of 3.5% despite reductions in value that occurred in fiscal years 2010-11, 2011-12 and 2012-13. Growth in fiscal years 2014-15 and 2015-16 has recovered approximately 149.1% of the value lost in those three years.

Assessed values increased by more than 5% for fiscal years 2014-15 and 2015-16. Within the San Sevaine Project Area, from fiscal year 2013-14 to fiscal year 2014-15, values rose by a combined \$97.8 million (5.60%). Secured values increased by \$63.4 million (4.08%) and unsecured values increased by \$34.4 million (18.41%). From fiscal year 2014-15 to fiscal year 2015-16, values rose by a combined \$105.3 million (5.73%). Secured values increased by \$96.3 million (5.95%) and unsecured values increased by \$9 million (4.08%) in fiscal year 2015-16.

**TABLE 2**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY**  
**OF THE COUNTY OF SAN BERNARDINO**  
**Taxable Value History and Percentage Growth from Previous Year**

Fiscal Year	Assessed Value	Percent Change
2006-07	\$1,442,953,336	--
2007-08	1,585,907,537	9.91%
2008-09	1,866,846,126	17.71
2009-10	1,876,179,062	0.50
2010-11	1,820,937,742	(2.94)
2011-12	1,817,936,723	(0.16)
2012-13	1,735,847,654	(4.52)
2013-14	1,741,840,370	0.35
2014-15	1,839,739,243	5.62
2015-16	1,945,117,657	5.73

*Source: San Bernardino County; HdL Coren & Cone.*

### **Unitary Property**

As the result of the enactment of Assembly Bill 2890 (Chapter 1457, Statutes of 1986) and Assembly Bill 454 (Chapter 921, Statutes of 1987), a portion of the County-wide unitary values assigned to public utilities is allocated to the San Sevaine Project Area. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of tax increment revenues. However, any such impact with respect to utility properties within the San Sevaine Project Area will be lessened because the impact will be spread on a County-wide basis.

The amount of unitary revenues allocated to the Successor Agency from the San Sevaine Project Area for fiscal year 2014-15 is estimated to be \$76,638.

The Fiscal Consultant assumes that allocations of unitary revenues will remain constant for purposes of projecting tax increment available to pay debt service on the 2016 Bonds.

### **Ten Largest Taxpayers**

The Fiscal Consultant conducted a review of the top 10 taxable property owners in the San Sevaine Project Area for fiscal year 2015-16.

Within the San Sevaine Project Area, the aggregate fiscal year 2015-16 taxable value for the top 10 largest taxpayers totals \$1,225,756,976. This amount is 85.98% of the

\$1,425,581,748 fiscal year 2015-16 incremental value within the San Sevaine Project Area. The top 2 largest property taxpayers (including their affiliates) total 63.34% of the fiscal year 2015-16 incremental value within the San Sevaine Project Area.

The top taxpayer in the San Sevaine Project Area is California Steel Industries Inc., which controls eleven parcels with a combined total of \$540,316,973 in secured assessed value. This amount is 37.90% of the San Sevaine Project Area's incremental value.

The second largest taxpayer is Prologis-A3 California I LP, which, along with its affiliates in the San Sevaine Project Area, controls parcels with a combined fiscal year 2015-16 secured assessed valuation of \$362,637,129. The fiscal year 2015-16 assessed value of the parcels owned by Prologis-A3 California I LP and its affiliates is 25.44% of the San Sevaine Project Area's total incremental assessed value. Table 3 below illustrates the percentage of fiscal year 2015-16 incremental value for the 10 largest taxpayers in the San Sevaine Project Area and their relative importance to the incremental value of the San Sevaine Project Area.

**TABLE 3**  
**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY**  
**OF THE COUNTY OF SAN BERNARDINO**  
**Top Ten Largest Taxpayers**  
**Fiscal Year 2015-16**

Property Owner	Combined Value	% of Project Area Value	% of Project Area Incremental Value	Property Use
California Steel Industries Inc.	\$ 540,316,973	27.78%	37.90%	Industrial
Prologis-A3 California I LP <sup>(1)(3)</sup>	189,670,360	9.75	13.30	Industrial
PACAB LLC <sup>(1)(3)</sup>	119,133,518	6.12	8.36	Industrial
California Speedway Corporation <sup>(2)</sup>	95,031,196	4.89	6.67	Recreational
Campbell Hawaii Investor LLC <sup>(1)</sup>	57,210,236	2.94	4.01	Industrial
Trader Joe's Company <sup>(1)(2)</sup>	55,154,028	2.84	3.87	Industrial
Palmtree Acquisition Corporation <sup>(3)</sup>	53,833,251	2.77	3.78	Industrial
Teachers Insurance & Annuity Association <sup>(1)</sup>	42,265,000	2.17	2.96	Industrial
9774 Calabash LLC	42,160,824	2.17	2.96	Industrial
Watson Land Company	30,981,587	1.59	2.17	Industrial
<b>Top Property Owner Total Value</b>	<b>\$1,225,756,976</b>			
<b>Project Area Assessed Value</b>	<b>\$1,945,117,657</b>	<b>63.02%</b>		
<b>Project Area Incremental Value</b>	<b>\$1,425,581,748</b>		<b>85.98%</b>	

(1) This taxpayer has a pending assessment appeal on parcels owned. See Table 6 below.

(2) Includes Unsecured Values (see APPENDIX C-- FISCAL CONSULTANT REPORT - Table 5).

(3) The Successor Agency is informed that these entities are affiliated entities of Prologis, Inc.

Source: HdL Coren & Cone.

**California Steel Industries, Inc.** The information provided in this section about California Steel Industries, Inc. (“**CSI**”) has been included because it may be considered relevant to an informed evaluation and analysis of the 2016 Bonds. The information was obtained from CSI’s website and publicly-available information from the County and was reviewed by a representative of CSI. Neither the Successor Agency nor the Underwriter can guarantee the accuracy or completeness of the information about CSI.

CSI’s property in the San Sevaine Project Area includes the following parcels:

Use	Parcel Number	2015-16 AV
Main Production Facility	0231-121-03	\$ 9,001,068
Main Production Facility	0231-121-04	2,953,196
Main Production Facility	0231-121-04	6,205
Main Production Facility	0231-121-05	79,512,828
Main Production Facility	0231-121-05	442,411,590
Land Site (1/2 acre)	0234-011-15	114,720
Detention Basin	0234-011-17	1,451,759
Land Site (1/2 acre)	0234-021-11	31,432
CSI Treatment Plant Site	0238-031-07	865,090
CSI Treatment Plant Site	0238-031-07	2,549,795
Water Rights	0229-291-47	1,419,284

CSI steel rolling mills produce four different steel sheet product lines: hot rolled, pickled and oiled, galvanized and cold rolled sheet. CSI’s customers manufacture a broad range of end-use products. Much of CSI’s product lines are also sold to service distribution centers throughout the Western and Midwestern United States, with some product also sold worldwide through the export market.

CSI also produces electric resistance welded (“**ERW**”) pipe at its two ERW pipe mills, primarily serving the oil and natural gas transmission industry. CSI competes with other western U.S. steel manufacturers, domestic suppliers from east of the Rocky Mountains, and steel manufacturers from around the world.

Since CSI began operations in 1984, it has invested approximately \$1 billion in its facilities to maintain, modernize and add operations. The CSI facility sits on 430 acres, with approximately 115 acres of the plant under roof. CSI employs approximately 1,000 full-time regular employees, supplemented by a small contingency staff.

CSI’s two shareholders are Vale S.A. (Vale) and JFE Steel Corporation of Japan. Each shareholder owns 50% of the shares of CSI.

In 2013, the County entered into a two-year agreement with CSI to provide incentive payments as an inducement to the company to make capital expenditures on equipment and facility upgrades on its location within the San Sevaine Project Area. The agreement was recently extended through September 30, 2030. The incentive is an amount equal to 50% of the local sales and use tax revenues received by the County as a result of the expenditures on equipment, facility upgrades and other maintenance expenses.

Set forth on the following page is a 10-year history of the assessed value of the property owned by CSI in the San Sevaine Project Area. The Fiscal Consultant reports that the growth of the assessed value of the CSI-owned property reflects ongoing investment by CSI. The

County Assessor audits the reported value by CSI on a 4 to 5 year cycle. On October 13, 2015, the County Assessor commenced an audit for tax years 2012 through 2015. The County Assessor anticipates the audit to be completed in the first quarter of 2016. CSI has not filed any appeals on their property values since tax year 2004-05.

**TABLE 4**  
**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY**  
**OF THE COUNTY OF SAN BERNARDINO**  
**CSI Assessed Value History**  
**FY 2006-07 through FY 2015-16**

	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Land	\$ 25,993,706	\$ 26,513,579	\$ 28,342,471	\$ 28,909,319	\$ 28,840,804	\$ 29,057,977	\$ 29,639,137	\$ 30,231,921	\$ 30,369,174	\$ 30,975,951
Improvement	62,179,827	63,309,060	70,572,347	65,085,269	63,908,303	64,698,730	66,313,437	64,725,612	63,473,548	64,373,432
Fixtures	263,978,355	264,024,209	255,727,512	176,075,484	185,053,024	220,318,622	234,364,826	241,164,666	320,170,886	354,490,763
Personal Property	26,055,814	34,990,418	48,247,936	51,843,596	52,067,297	50,769,802	54,040,631	55,262,994	69,877,874	90,476,827
Total <sup>(1)</sup>	\$378,207,702	\$388,837,266	\$402,890,266	\$321,913,668	\$329,869,426	\$364,845,131	\$384,358,031	\$391,385,193	\$483,891,482	\$540,316,973
Personal Property Adjustment <sup>(2)</sup>	(1,353,744)	1,405,760	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$376,853,958</b>	<b>\$390,243,026</b>	<b>\$402,890,266</b>	<b>\$321,913,668</b>	<b>\$329,869,428</b>	<b>\$364,845,131</b>	<b>\$384,358,031</b>	<b>\$391,385,193</b>	<b>\$483,891,482</b>	<b>\$540,316,973</b>
% Inc/(Dec)		3.55%	3.24%	(20.10%)	2.47%	10.60%	5.35%	1.83%	23.64%	11.66%

(1) San Bernardino County Assessor Lien Date Roll

(2) Personal property values added as a result of an audit conducted by San Bernardino County Assessor Special Properties Division.



**Prologis and Related Entities.** The information provided in this section about Prologis has been included because it may be considered relevant to an informed evaluation and analysis of the 2016 Bonds. The information was obtained from Prologis' website, publicly-available information from the County and representatives of Prologis, and was reviewed by a representative of Prologis. The Successor Agency and the Underwriter cannot guarantee the accuracy or completeness of the information about Prologis.

Prologis is a significant developer and manager of industrial real estate in the United States. Prologis reports \$56 billion in total assets under management as of June 30, 2015, including 670 million square feet owned, managed or under development. Prologis and its affiliates employ 1,500 people worldwide and currently operate in 21 countries.

Prologis-A3 California I LP owns the following parcels in the San Sevaire Project Area:

APN	Address	Date Built	Fiscal Year 2015-16 AV
0229-291-47	Napa Street		\$ 67,075
0229-371-06	Kaiser Way		958,500
0229-371-14	9687 Transportation Way	2005	61,723,364
0229-371-20	9211 Kaiser Way	2002	51,208,746
0238-031-19	13310 Valley Blvd.		2,806,791
0238-031-24	13301 San Bernardino Ave.		81,016
0238-031-26	13053 San Bernardino Ave.	2004	36,187,662
0238-031-28	13048 Valley Blvd.	2003	27,990,093
0238-031-30	13553 San Bernardino Ave.		4,836,465
0238-031-32	San Bernardino Ave.		300,614
0238-031-33	San Bernardino Ave.		207,871
0238-031-34	San Bernardino Ave.		227,059
0238-031-35	San Bernardino Ave.		266,501
0238-031-36	San Bernardino Ave.		2,448,614
0238-031-37	San Bernardino Ave.		25,584
0238-031-38	13555 San Bernardino Ave.		334,405

PACAB LLC owns the following parcels in the San Sevaire Project Area:

APN	Address	Date Built	Fiscal Year 2015-16 AV
0229-371-23	9415 Kaiser Way	2005	\$35,711,166
0238-031-27	13277 San Bernardino Ave.	2003	33,919,213
0238-031-31	13550 Valley Blvd.	2004	49,503,139

Palmtree Acquisition Corp. owns the following parcel in the San Sevaire Project Area:

APN	Address	Date Built	Fiscal Year 2015-16 AV
0229-381-05	13230 San Bernardino Ave.	2004	\$53,833,251

See Table 6 below for information about pending assessment appeals by Prologis-A3 California I LP and PACAB LLC.

**California Speedway.** The information provided in this section about California Speedway Corporation (“**California Speedway**”) has been included because it may be considered relevant to an informed evaluation and analysis of the 2016 Bonds. The information was obtained from California Speedway’s website and publicly-available information from the County, and was not reviewed by a representative of California Speedway. The Successor Agency and the Underwriter cannot guarantee the accuracy or completeness of the information about California Speedway.

California Speedway owns the following parcels in the San Sevaire Project Area; the parcels total 438.82 acres:

Speedway Race Track	0231-011-09	\$73,329,048
Parking lot - 12.75 acres	0231-011-10	355,522
Parking lot - 8.5 acres	0231-011-11	1,893,986
Parking lot - 19.25 acres	0231-011-12	3,163,891
Parking lot - 4.81 acres	0231-011-17	736,619
Parking lot - 6.53 acres	0231-011-18	909,266
Parking lot - 24.25 acres	0231-011-19	5,403,166
Parking lot - 18.87 acres	0231-011-20	2,312,172
Land at NW entrance - 3.67 acres	0229-291-45	188,067
Land at NW entrance - 2.9 acres	0229-291-46	447,599

California Speedway operates Auto Club Speedway, which is a two-mile race track that has hosted NASCAR racing since 1997. It is also used for open wheel racing. California Speedway is owned by International Speedway Corporation.

See “RISK FACTORS - Concentration of Property Ownership” for a discussion of risks that may impact owners of the 2016 Bonds as a result of the significant property owner concentration in the San Sevaire Project Area.

## **Tax Rates**

The San Sevaire Project Area consists of a total of 20 Tax Rate Areas (“**TRAs**”), only 15 of which contain taxable values. A TRA consists of a geographic area within which the taxes on all property are levied by a certain set of taxing entities. These taxing entities each receive a prorated share of the general levy and those taxing entities with voter approved over-ride tax rates receive the revenue resulting from that over-ride tax rate. The tax increment projections are based on the published tax rates for fiscal year 2014-15.

Within the various TRAs there is one applicable tax rate. The tax rates contain only the debt service over-ride rates that have been levied by the Metropolitan Water District. Under the Dissolution Act, because this over-ride tax rate was approved by voters prior to January 1, 1989, the revenue attributable to incremental assessed value in the San Sevaire Project Area will be paid to the Successor Agency, but only if the incremental revenue is needed to pay debt service. Due to the nature of the fiscal year 2014-15 tax rate it is expected that the currently

levied over-ride tax rates will remain the same through fiscal year 2034-35. Beginning in fiscal year 2035-36 the override tax rate for the Metropolitan Water District will no longer be levied. School Districts within the Redevelopment Project levy over-ride tax rates that were approved by voters after January 1, 1989. Revenue from these tax rates are paid directly to the districts by the Auditor-Controller and have no effect on the revenues of the Successor Agency. The Fiscal Consultant's projection of Tax Revenue is based on a 1.0035% tax rate.

### **Appeals of Assessed Values; Proposition 8 Reductions**

**General.** Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is made and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Appeals may also be filed under Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by a property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See "PROPERTY TAXATION IN CALIFORNIA" above.

**History of Assessed Value Appeals; Projection of Future Impact of Pending Appeals.** The Fiscal Consultant reviewed assessment appeals data from the County through October 1, 2015 to determine the potential impact that pending appeals may have on the

projected Tax Revenues. The Fiscal Consultant determined that there are a total of 33 pending appeals on 21 parcels within the San Sevaine Project Area.

Table 5 below summarizes the projected loss of assessed value that would result from the assessment appeals that are currently pending within the component project areas assuming the requested reductions are granted in full.

**TABLE 5**  
**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY**  
**OF THE COUNTY OF SAN BERNARDINO**  
**Appeals of Assessed Values**

Project Areas	Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. & Value of Appeals Pending	Est. No. of Appeals Allowed	Est. Reduction on Pending Appeals Allowed (2016-17 Value Adjustment)
Original San Sevaine Area	103	78	40	27.34%	13 (\$283,243,498)	7	\$39,710,774
San Sevaine Amendment Area	23	15	13	12.80	8 (\$17,586,804)	7	\$1,950,975
<b>Total Project Area</b>	<b>126</b>	<b>93</b>	<b>53</b>		<b>21 (\$300,830,302)</b>	<b>14</b>	<b>\$41,661,749</b>

Source: HdL Coren & Cone.

Of the San Sevaine Project Area's top 10 taxpayers, 5 have pending appeals of their assessed values. These taxpayers are Prologis-A3 California I LP, PACAB LLC, Campbell Hawaii Investor LLC, Trader Joe's Company and Teachers Insurance and Annuity Association. Table 6 below summarizes the currently pending assessment appeals in the San Sevaine Project Area.

**TABLE 6**  
**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY**  
**OF THE COUNTY OF SAN BERNARDINO**  
**Top 10 Taxpayer Appeals of Assessed Values**

Taxpayer	FY of Appeal	No. of Parcels Under Appeal	2015-16 Value Under Appeal	Owner Opinion of Value	Potential Max. Value Reduction
Prologis-A3 California I LP <sup>(1)</sup>	2012-13	1	\$4,836,465	\$2,100,000	\$2,736,465
	2013-14	1	4,836,465	2,100,000	2,736,465
	2014-15	3	67,518,329	56,300,000	11,218,329
	2015-16	1	61,723,364	30,257,000	31,466,364
PACAB LLC <sup>(1)</sup>	2012-13	1	49,503,139	39,500,000	10,003,139
	2014-15	1	49,503,139	40,000,000	9,503,139
Campbell Hawaii Investor LLC	2013-14	1	57,210,236	27,918,000	29,292,236
	2014-15	1	57,210,236	28,045,000	29,165,236
Trader Joe's Company	2014-15	1	41,962,472	20,998,000	20,964,472
Teachers Insurance & Annuity Assoc.	2014-15	1	42,265,000	29,100,000	13,165,000

(1) The Successor Agency is informed that these entities are affiliated entities of Prologis, Inc.

Source: HdL Coren & Cone.

## **County Collection Charges**

Senate Bill 2557 allows counties to recover charges for property tax administration in an amount equal to their fiscal year 1989-90 property tax administration costs, as adjusted annually. The County's collection charges for fiscal year 2014-15 were 0.789% of Gross Revenue within the San Sevaire Project Area. For purposes of the Fiscal Consultant's projections, the Senate Bill 2557 charges for fiscal year 2015-16 and subsequent years are estimated at 0.789% of Gross Revenue.

In addition to the reimbursement allowed under SB 2557, the County levies a 0.25% collection charge for managing the property tax allocation process. This charge is calculated on the amount of gross property tax revenue allocated to the Successor Agency. This collection charge has been projected and included within calculation of Tax Revenue. The reimbursement amount is uniform among the component project areas.

In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. The County's administrative charge relating to the dissolution of the Former Agency was \$55,768 for the January 2, 2015 and \$160,999 for the June 1, 2015 distributions from the Redevelopment Property Tax Trust Fund.

See "PROPERTY TAXATION IN CALIFORNIA - Property Tax Collection Procedures - *Property Tax Administrative Costs*" above.

## **Housing Set-Aside**

Before it was amended by the Dissolution Act, the Redevelopment Law required the Former Agency to set aside not less than 20% of all tax increment generated in the San Sevaire Project Area into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as "**Housing Set-Aside**".

The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. As a result, and because the Successor Agency has no obligations that will be payable from Housing Set-Aside after the issuance of the 2016 Bonds, the former Housing Set-Aside is available to pay debt service on the 2016 Bonds; the projection of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled "THE SAN SEVAIRE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage," assumes the availability of the former Housing Set-Aside for this purpose.

## **No Teeter Plan; Annual Tax Receipts to Tax Levy**

As discussed above, the County has not adopted a Teeter Plan with respect to secured property taxes. This means that the County Auditor-Controller apportions tax revenues to the RPTTF based upon the amount of the tax levy that is received from the taxpayers. The following table illustrates the final tax revenue collections for the previous eight fiscal years.

**TABLE 7**  
**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY**  
**OF THE COUNTY OF SAN BERNARDINO**  
**Tax Revenue Collections**

Fiscal Year	Adjusted Tax Levy	Current Year Apportioned	Current Year Collection %	Prior Year Collections <sup>(1)</sup>	Total Apportioned	Percentage Total Collections
2007-08	\$13,081,824	\$13,214,363	101.01%	\$936,515	\$14,150,878	108.17%
2008-09	13,535,810	13,874,056	102.50	1,496,785	15,370,840	113.56
2009-10	13,269,234	12,962,139	97.69	659,751	13,621,890	102.66
2010-11	13,104,652	11,616,645	88.65	(86,817)	11,529,828	87.98
2011-12	13,107,658	11,644,113	88.83	249,014	11,893,127	90.73
2012-13	12,114,771	11,095,887	91.59	260,149	11,356,036	93.74
2013-14	12,325,664	11,496,734	93.27	568,569	12,065,303	97.89
2014-15	13,326,435	13,315,932	99.92	143,654	13,459,586	101.00

(1) Prior Year Collections include Supplemental Revenue, reductions for taxpayer refunds and revenue from prior years.

Source: HdL Coren & Cone; San Bernardino County Auditor-Controller's Office, Property Tax Division "Agency Receivables Report for Tax Charge Year".

### **Transfers of Ownership; New Development**

Since January 1, 2015 (the lien date for fiscal year 2015-16 assessed values), there have been 21 transfers of real property within the San Sevaine Project Area where the sales price can be confirmed by the Fiscal Consultant. These transfers of ownership represent an increase of approximately \$11.4 million in assessed value that is expected to be added to the assessed value of the San Sevaine Project Area in fiscal year 2016-17, and the Fiscal Consultant's Report includes this amount in the projection of Tax Revenues.

New development continues to occur within the San Sevaine Project Area; however, no additional value related to new development has been included by the Fiscal Consultant in the projections of Tax Revenues.

### **Projected Tax Revenues and Estimated Debt Service Coverage**

The projections of Tax Revenues for the San Sevaine Project Area, as prepared by the Fiscal Consultant are summarized below. All of the projections commence with the reported values for fiscal year 2016-17. See APPENDIX H – "FISCAL CONSULTANT'S REPORT" and the preceding sections of this Official Statement for a description of the assumptions underlying the Fiscal Consultant's projections.

For a discussion of certain matters that could cause a reduction in the Tax Revenues and RPTTF Revenues available in future years, see "BONDOWNERS' RISKS." There can be no assurance that actual tax increment receipts will not significantly differ from the projections in the tables below.

Table 8 below shows the projected incremental assessed values and Tax Revenues for the San Sevaine Project Area at a 0% growth rate.

Table 9 below shows the projected debt service coverage assuming a 2% growth rate.

For the reasons explained above, the following tables do not include RPTTF Revenues because the Successor Agency has concluded that RPTTF Revenues do not provide materially stronger debt service coverage when added to Tax Revenues.

For purposes of the projections in tables 8 and 9 below, Bond Tax Subsidy Payments received by the Successor Agency with respect to the 2010B Bonds are assumed to remain at the existing level of 41.94% of annual interest payable on the 2010B Bonds and are shown as an offset against total debt service on all Bonds. Like other Recovery Zone Economic Development Bonds, payment of Bond Tax Subsidy Payments is subject to the annual appropriations process of the Federal government and receipt thereof by the Successor Agency may be delayed or reduced in the future as in 2013 pursuant to the sequestration provisions of the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012. The Successor Agency cannot, and does not, guarantee that Bond Tax Subsidy Payments will continue to be received by the Successor Agency or that such payments will not be delayed or reduced in the future. The Successor Agency is obligated to make all payments of principal of and interest on the 2010 Bonds whether or not it receives Bond Tax Subsidy Payments with respect to the 2010B Bonds. In the event Bond Tax Subsidy Payments with respect to the 2010B Bonds are reduced, delayed or not received in the future, the projections of debt service coverage in tables 8 and 9 may be lower. See "RISK FACTORS – Designation of the 2010B Bonds as Recovery Zone Economic Development Bonds."

**TABLE 8**  
**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY**  
**OF THE COUNTY OF SAN BERNARDINO**  
**Projected Incremental Value and Tax Increment Revenue**  
**Fiscal Years 2015-16 through 2034-35**  
**(Dollars in Thousands)**  
**(Assuming 0% growth)**

	Total Taxable Value <sup>(1)</sup>	Incremental Value	Gross Revenue <sup>(2)</sup>	Unitary Taxes	County Admin. Fee <sup>(3)</sup>	Tax Revenues	Total Debt Service <sup>(4)</sup>	Debt Service Coverage
2015-16	\$1,945,118	\$1,425,582	\$ 14,306	\$ 77	(\$149)	\$ 14,233	\$ 6,218	2.3x
2016-17	1,935,166	1,415,630	14,206	77	(148)	14,134	6,142	2.3x
2017-18	1,935,166	1,415,630	14,206	77	(148)	14,134	6,134	2.3x
2018-19	1,935,166	1,415,630	14,206	77	(148)	14,134	6,144	2.3x
2019-20	1,935,166	1,415,630	14,206	77	(148)	14,134	6,142	2.3x
2020-21	1,935,166	1,415,630	14,206	77	(148)	14,134	6,133	2.3x
2021-22	1,935,166	1,415,630	14,206	77	(148)	14,134	6,138	2.3x
2022-23	1,935,166	1,415,630	14,206	77	(148)	14,134	6,141	2.3x
2023-24	1,935,166	1,415,630	14,206	77	(148)	14,134	6,136	2.3x
2024-25	1,935,166	1,415,630	14,206	77	(148)	14,134	6,136	2.3x
2025-26	1,935,166	1,415,630	14,206	77	(148)	14,134	6,138	2.3x
2026-27	1,935,166	1,415,630	14,206	77	(148)	14,134	6,140	2.3x
2027-28	1,935,166	1,415,630	14,206	77	(148)	14,134	6,142	2.3x
2028-29	1,935,166	1,415,630	14,206	77	(148)	14,134	6,143	2.3x
2029-30	1,935,166	1,415,630	14,206	77	(148)	14,134	6,142	2.3x
2030-31	1,935,166	1,415,630	14,206	77	(148)	14,134	6,138	2.3x
2031-32	1,935,166	1,415,630	14,206	77	(148)	14,134	6,138	2.3x
2032-33	1,935,166	1,415,630	14,206	77	(148)	14,134	6,141	2.3x
2033-34	1,935,166	1,415,630	14,206	77	(148)	14,134	6,139	2.3x
2034-35	1,935,166	1,415,630	14,206	77	(148)	14,134	6,138	2.3x
<b>Total</b>	<b>\$38,713,267</b>	<b>\$28,322,549</b>	<b>\$284,217</b>	<b>\$1,533</b>	<b>(\$2,969)</b>	<b>\$282,780</b>	<b>\$122,863</b>	

(1) Taxable values as reported by the County.

(2) Based upon incremental taxable values factored against an assumed tax rate for the Project Area and adjusted for indebtedness approved by voters after 1988. The assumed future tax rates remains constant at \$1.0035 per \$100 of taxable value until 2034-35 and decreases to \$1.00 per \$100 of taxable value thereafter.

(3) Estimated at 1.0390% of gross tax increment.

(4) Includes March 2016 debt service payment on the 2005 Bonds due prior to refunding and debt service on the 2016 Bonds and the 2010 Bonds (net of Bond Tax Subsidy Payments received by the Successor Agency with respect to the 2010B Bonds currently equal to 41.94% of annual interest payable on the 2010B Bonds). Such Bond Tax Subsidy Payments are subject to change in the future but are assumed to remain constant at the existing levels for purposes of the projections set forth in this Table 8.

Source: HdL Coren & Cone; Stifel, Nicolaus & Company, Incorporated.



**TABLE 9**  
**SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY**  
**OF THE COUNTY OF SAN BERNARDINO**  
**Projected Debt Service Coverage**  
**Fiscal Years 2015-16 through 2034-35**  
**(Dollars in Thousands)**  
**(Assuming 2% Annual Growth)**

	Total Taxable Value <sup>(1)</sup>	Incremental Value	Gross Revenue <sup>(2)</sup>	Unitary Taxes	County Admin. Fee <sup>(3)</sup>	Tax Revenues	Total Debt Service <sup>(4)</sup>	Debt Service Coverage
2015-16	\$1,945,118	\$1,425,582	\$14,306	\$77	(\$149)	\$14,233	\$6,218	2.3x
2016-17	1,935,166	1,415,630	14,206	77	(148)	14,134	6,142	2.3x
2017-18	1,962,337	1,442,801	14,479	77	(148)	14,407	6,134	2.3x
2018-19	1,990,051	1,470,515	14,757	77	(148)	14,685	6,144	2.4x
2019-20	2,018,320	1,498,784	15,040	77	(148)	14,969	6,142	2.4x
2020-21	2,047,154	1,527,618	15,330	77	(148)	15,258	6,133	2.5x
2021-22	2,076,565	1,557,029	15,625	77	(148)	15,553	6,138	2.5x
2022-23	2,106,564	1,587,028	15,926	77	(148)	15,854	6,141	2.6x
2023-24	2,137,163	1,617,627	16,233	77	(148)	16,161	6,136	2.6x
2024-25	2,168,374	1,648,838	16,546	77	(148)	16,474	6,136	2.7x
2025-26	2,200,209	1,680,673	16,866	77	(148)	16,794	6,138	2.7x
2026-27	2,232,681	1,713,145	17,191	77	(148)	17,120	6,140	2.8x
2027-28	2,265,802	1,746,266	17,524	77	(148)	17,452	6,142	2.8x
2028-29	2,299,585	1,780,050	17,863	77	(148)	17,791	6,143	2.9x
2029-30	2,334,045	1,814,509	18,209	77	(148)	18,137	6,142	3.0x
2030-31	2,369,193	1,849,658	18,561	77	(148)	18,490	6,138	3.0x
2031-32	2,405,045	1,885,509	18,921	77	(148)	18,849	6,138	3.1x
2032-33	2,441,614	1,922,078	19,288	77	(148)	19,216	6,141	3.1x
2033-34	2,478,914	1,959,378	19,662	77	(148)	19,591	6,139	3.2x
2034-35	2,516,959	1,997,424	20,044	77	(148)	19,972	6,138	3.3x
<b>Total</b>	<b>\$43,930,856</b>	<b>\$33,540,138</b>	<b>\$336,575</b>	<b>\$1,533</b>	<b>(\$2,969)</b>	<b>\$335,139</b>	<b>\$122,863</b>	

(1) Taxable values as reported by the County.

(2) Based upon incremental taxable values factored against an assumed tax rate for the Project Area and adjusted for indebtedness approved by voters after 1988. The assumed future tax rates remains constant at \$1.0035 per \$100 of taxable value until 2034-35 and decreases to \$1.00 per \$100 of taxable value thereafter.

(3) Estimated at 1.0390% of gross tax increment.

(4) Includes (i) March 2016 debt service payment on the 2005 Bonds due prior to refunding and (ii) debt service on the 2016 Bonds and the 2010 Bonds (net of Bond Tax Subsidy Payments received by the Successor Agency with respect to the 2010B Bonds currently equal to 41.94% of annual interest payable on the 2010B Bonds). Such Bond Tax Subsidy Payments are subject to change in the future but are assumed to remain constant at the existing levels for purposes of the projections set forth in this Table 9.

Source: HdL Coren & Cone; Stifel, Nicolaus & Company, Incorporated.

## **RISK FACTORS**

*The following information should be considered by prospective investors in evaluating the 2016 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2016 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

The various legal opinions to be delivered concurrently with the issuance of the 2016 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

### **Recognized Obligation Payment Schedules**

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by a successor agency from the funds specified in the Recognized Obligation Payment Schedule. Pursuant to Section 34177 of the Dissolution Act, not less than 90-days prior to each January 2 and June 1 up to and including January 2, 2016, and not less than 90-days prior to each February 1 commencing February 1, 2016, the Successor Agency shall submit to the Oversight Board and the DOF, a Recognized Obligation Payment Schedule unless, at the option of the Successor Agency and subject to DOF approval and satisfaction of certain other conditions, a Last and Final Recognized Obligation Payment Schedule is filed in which event no such periodic filing requirements apply. In instances where a Last and Final Recognized Obligation Payment Schedule is not filed, for each semiannual or annual period, as applicable, the Dissolution Act requires each successor agency to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Consequently, in instances where a Last and Final Recognized Obligation Payment Schedule is not filed, Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule to pay debt service on the 2016 Bonds and to pay other enforceable obligations. In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule as required, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period. See "SECURITY FOR THE 2016 BONDS – Recognized Obligation Payment Schedules."

In instances where a Last and Final Recognized Obligation Payment Schedule is not filed, if a successor agency does not submit a Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the DOF may determine if any amount should be withheld by the county auditor-controller for payments for enforceable obligations from distribution to taxing entities, pending approval of a Recognized Obligation Payment Schedule. The county auditor-controller is then required to distribute the portion of any of the sums withheld as described above to the affected taxing entities in accordance with applicable provisions of the Dissolution Act upon notice by the DOF that a portion of the withheld balances are in excess of the amount of enforceable obligations. The Dissolution Act

provides that county auditor-controllers shall distribute withheld funds to a successor agency only in accordance with a Recognized Obligation Payment Schedule approved by the DOF.

For a description of the covenants made by the Successor Agency in the Indenture relating to the obligation to submit Recognized Obligation Payment Schedules on a timely basis, and the Successor Agency's history of submissions of Recognized Obligation Payment Schedules, see "SECURITY FOR THE 2016 BONDS – Recognized Obligation Payment Schedules."

AB 1484 also added provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule as required. Specifically, an oversight board approved Recognized Obligation Payment Schedule must be submitted by the successor agency to the county auditor-controller and the DOF no later than each February 1, starting February 1, 2016 covering the following fiscal year (July 1 to June 30). If a successor agency does not submit a Recognized Obligation Payment Schedule by such deadline, the city or county that established the redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, a successor agency's administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule within 10 days of the deadline.

### **Challenges to Dissolution Act**

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "**Syncora**") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the "Redistribution Provisions" thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation.

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution

Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the 2016 Bonds.

### **Concentration of Property Ownership**

The risk of reduction in assessed value as a result of factors described herein may generally increase where the assessed value within a project area is concentrated among a relatively few number of property owners.

Within the San Sevaïne Project Area, the aggregate fiscal year 2015-16 taxable value for the 10 largest taxpayers totals \$1,225,756,976, which is 85.98% of the \$1,425,581,748 fiscal year 2015-16 incremental value within the San Sevaïne Project Area. The top 2 largest property taxpayers (including their affiliates) total 63.34% of the incremental value within the San Sevaïne Project Area.

Significant reduction in the assessed values of the largest taxpayers in the San Sevaïne Project Area could, by itself or in combination with other factors, have a material adverse effect on the Successor Agency's ability to pay debt service on the 2016 Bonds as such payments become due and payable.

### **Reduction in Taxable Value**

Tax increment revenue available to pay principal of and interest on the 2016 Bonds is determined by the amount of incremental taxable value in the San Sevaïne Project Area and the current rate or rates at which property in the San Sevaïne Project Area is taxed. The reduction of taxable values of property in the San Sevaïne Project Area caused by economic factors beyond the Successor Agency's control, such as relocation out of the San Sevaïne Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the tax increment available to pay debt service on the 2016 Bonds. Such reduction of tax increment available to pay debt service on the 2016 Bonds could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the 2016 Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the 2016 Bonds could reduce tax increment available to pay debt service on the 2016 Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, the State electorate or State Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions

include clauses generally prohibiting the California Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or State Legislature will not at some future time approve additional limitations that could reduce the tax increment available to pay debt service on the 2016 Bonds and adversely affect the source of repayment and security of the 2016 Bonds.

### **Risks to Real Estate Market**

The Successor Agency's ability to make payments on the 2016 Bonds will be dependent upon the economic strength of the San Sevaine Project Area. The general economy of the San Sevaine Project Area will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the San Sevaine Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a significant decline in the general economy of any Project Area, the owners of property within such Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Tax Revenues by the Successor Agency from the San Sevaine Project Area. See "THE SAN SEVAINE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage" for a description of the debt service coverage on the 2016 Bonds.

### **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value 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. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. The Successor Agency is unable to predict if any further adjustments to the full cash value base of real property within the San Sevaine Project Area, whether an increase or a reduction, will be realized in the future.

### **Levy and Collection of Taxes**

The Successor Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Successor Agency to repay the 2016 Bonds.

Although delinquencies in the payment of property taxes by the owners of land in the San Sevaine Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes as described below, could have an adverse effect on the Successor Agency's ability to make timely payments on the 2016 Bonds, the Successor Agency believes any such adverse impact is unlikely in light of the debt service coverage provided by net tax increment. See "THE SAN SEVAINE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage" for a description of the debt service coverage on the 2016

Bonds. See also “PROPERTY TAXATION IN CALIFORNIA – Rate of Collections” for a discussion of the Teeter Plan as adopted and applied by the County.

### **Bankruptcy and Foreclosure**

The payment of the property taxes from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2016 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments with respect to unsecured property taxes (and therefore, not subject to the Teeter Plan) not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the 2016 Bonds.

### **Estimated Revenues**

In estimating that net tax increment will be sufficient to pay debt service on the 2016 Bonds, the Successor Agency and Fiscal Consultant have made certain assumptions with regard to present and future assessed valuation in the San Sevaïne Project Area, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the net tax increment available to pay debt service on the 2016 Bonds will be less than those projected and such reduced net tax increment may be insufficient to provide for the payment of principal of, premium (if any) and interest on the 2016 Bonds.

See “THE SAN SEVAÏNE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage” above.

### **Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the San Sevaïne Project Area. In general, the owners and operators of property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the San Sevaïne Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

## **Natural Disasters**

The value of the property in the San Sevaine Project Area in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the San Sevaine Project Area could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes.

**Seismic.** Generally, within the State, some level of seismic activity occurs on a regular basis. During the past 150 years, the Southern California area has experienced several major and numerous minor earthquakes. The County experienced a major earthquake on October 16, 1999, on the Laviac Lake fault, with an epicenter 32 miles north of Joshua Tree near the town of Ludlow, which was measured as 7.1 on the Richter scale. Centered on the sparsely populated Mojave desert, 120 miles east of Los Angeles, it caused no serious damage or injuries.

The occurrence of severe seismic activity in the San Sevaine Project Area could result in substantial damage to property located in the San Sevaine Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction could result in a decrease in Tax Revenues collected by the Successor Agency.

**Flooding.** The San Sevaine Project Area is subject to flooding from the Etiwanda, San Sevaine, and West Fontana Channels. These are interim channels unable to contain major flood flows. The San Sevaine Flood Control Project channelizing San Sevaine and Etiwanda Channel flows, was completed in Spring 2009 with Agency funding. This removed the flood hazard zones from these areas. The areas adjacent to the West Fontana Channel will still be subject to flood hazard until ultimate improvements for that facility are completed. Channel construction will also provide an adequate outlet for local drainage facilities throughout the San Sevaine Project Area. Until West Fontana Channel improvements are completed, portions of the San Sevaine Project Area.

The occurrence of flooding in the San Sevaine Project Area could result in substantial damage to property located in the San Sevaine Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction could result in a decrease in Tax Revenues collected by the Successor Agency.

## **Changes in the Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of tax increment available to pay debt service on the 2016 Bonds.

## **Loss of Tax-Exemption**

As discussed under the caption “TAX MATTERS,” interest on the 2016B Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2016B Bonds were issued, as a result of future acts or omissions of the Successor Agency in violation of its covenants in the Indenture.

In addition, current and future legislative proposals, if enacted into law, may cause interest on the 2016B Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the 2016B Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the 2016 Bonds, or, if a secondary market exists, that the 2016 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

## **Bond Insurance**

In the event of default of the payment of the scheduled principal of or interest on the Insured Bonds when all or some becomes due, the Trustee on behalf of any owner of the Insured Bonds shall have a claim under the Bond Insurance Policy for such payments. Under certain circumstances, AGM may direct and must consent to any remedies with respect to the Insured Bonds and AGM’s consent may be required in connection with certain amendments to or actions taken under any applicable documents relating to the Insured Bonds. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The long-term ratings on the Insured Bonds are dependent in part on the financial strength of AGM and its claims paying ability. AGM’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and the ratings on the Insured Bonds will not be subject to downgrade and such event could adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. See “RATINGS” herein.

The obligations of AGM are unsecured contractual obligations and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Successor Agency nor the Underwriter has made independent investigation into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to make the payments on the Insured Bonds and the claims paying ability of AGM, particularly



over the life of the investment. See “MUNICIPAL BOND INSURANCE” herein for further information regarding AGM and the Bond Insurance Policy, which includes further instructions for obtaining current financial information concerning AGM.

### **Designation of the 2010B Bonds as Recovery Zone Economic Development Bonds**

The 2010B Bonds were issued as Recovery Zone Economic Development Bonds. If the Successor Agency fails to comply with the conditions to receiving the Bond Tax Subsidy Payments throughout the term of the 2010B Bonds, it may no longer receive the Bond Tax Subsidy Payments and could be subject to a claim for the return of previously received Bond Tax Subsidy Payments. The Successor Agency has covenanted in the Indenture to comply with all applicable requirements of the Code necessary to preserve such treatment as Recovery Zone Economic Development Bonds. Failure to comply with such requirements of the Code might result in the Successor Agency not receiving such a refundable credit, possibly retroactive to the date of issue of the 2010B Bonds and, as a result, could have an adverse impact on the ability of the Successor Agency to repay the 2010 Bonds. In addition, like other Recovery Zone Economic Development Bonds, payment of Bond Tax Subsidy Payments is subject to the annual appropriations process of the Federal government and receipt thereof by the Successor Agency may be delayed or reduced in the future as in 2013 pursuant to the sequestration provisions of the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012. The Successor Agency cannot, and does not, guarantee that Bond Tax Subsidy Payments will continue to be received by the Successor Agency or that such payments will not be delayed or reduced in the future. The Successor Agency is obligated to make all payments of principal of and interest on the 2010 Bonds whether or not it receives Bond Tax Subsidy Payments with respect to the 2010B Bonds. In the event Bond Tax Subsidy Payments with respect to the 2010B Bonds are reduced, delayed or not received in the future, the projections of debt service coverage in tables 8 and 9 may be lower. The Bond Tax Subsidy Payments are only payable in connection with the 2010B Bonds. If such 2010B Bonds are no longer outstanding, the Successor Agency will no longer be entitled to receive Bond Tax Subsidy Payments.

## **TAX MATTERS**

### **2016A Bonds**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest with respect to the 2016A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2016A Bond (the first price at which a substantial amount of the 2016A Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity (to the extent that such issue price is lower than the stated redemption price at maturity) with respect to such 2016A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the 2016A Bond Owner will increase the 2016A Bond Owner's basis in the 2016A Bond.

The amount by which a 2016A Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable 2016A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2016A Bond

premium, which a 2016A Bond holder may elect to amortize under Section 171 of the Internal Revenue Code of 1986, as amended (the “**Code**”); such amortizable 2016A Bond premium reduces the 2016A Bond Owner’s basis in the applicable 2016A Bond (and the amount of taxable interest received), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2016A Bond premium may result in a 2016A Bond Owner realizing a taxable gain when a 2016A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016A Bond to the Owner. Purchasers of 2016A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2016A Bond premium.

The federal tax and State of California personal income tax discussion set forth above is included for general information only and may not be applicable depending upon an owner’s particular situation. The ownership and disposal of the 2016A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2016A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2016A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2016A Bonds.

## **2016B Bonds**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest due with respect to the 2016B Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest due with respect to the 2016B Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest due with respect to the 2016B Bonds might be included as an adjustment in the calculation of alternative minimum taxable income.

The difference between the issue price of a 2016B Bond (the first price at which a substantial amount of the 2016B Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity (to the extent that such issue price is lower than the stated redemption price at maturity) with respect to such 2016B Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the owner of the 2016B Bond before receipt of cash attributable to such excludable income (with respect to the 2016B Bonds). The amount of original issue discount deemed received by the owner of a 2016B Bond will increase the owner’s basis in the 2016B Bond. In the opinion of Bond Counsel original issue discount that accrues to the owner of a 2016B Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of constituting interest (and original issue discount) due with respect to the 2016B Bonds is based upon certain representations of fact and certifications made by the Successor Agency and others and is subject to the condition that the Successor Agency comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the 2016B Bonds to assure that interest (and original issue discount) will not become includable in gross

income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) due with respect to the 2016B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016B Bonds. The Successor Agency has covenanted to comply with all such requirements.

The amount by which a 2016B Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable 2016B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2016B Bond premium, which must be amortized under Section 171 of the Code; such amortizable 2016B Bond premium reduces the 2016B Bond Owner's basis in the applicable 2016B Bond (and the amount of tax-exempt interest received with respect to the 2016B Bond), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2016B Bond premium may result in a 2016B Bond Owner realizing a taxable gain when a 2016B Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016B Bond to the Owner. Purchasers of 2016B Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2016B Bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) due with respect to any 2016B Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The Internal Revenue Service (the "**IRS**") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2016B Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2016B Bonds might be affected as a result of such an audit of the 2016B Bonds (or by an audit of similar securities).

SUBSEQUENT TO THE ISSUANCE OF THE 2016B BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2016B BONDS OR THE MARKET VALUE OF THE 2016B BONDS. LEGISLATIVE CHANGES HAVE BEEN INTRODUCED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2016B BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2016B BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2016B BONDS SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2016B BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2016B BONDS.

Although Bond Counsel has rendered an opinion that the interest (and original issue discount) due with respect to the 2016B Bonds is excluded from gross income for federal income tax purposes provided that the Successor Agency continue to comply with certain requirements of the Code, the ownership of the 2016B Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2016B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2016B Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the 2016B Bonds. Copies of the proposed forms of Bond Counsel's final approving opinions with respect to the 2016 Bonds are attached hereto as Appendix B.

## **CONCLUDING INFORMATION**

### **Underwriting**

The 2016 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”). The Underwriter has agreed to purchase the 2016A Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the 2016A Bonds plus an original issue premium of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_). The Underwriter has also agreed to purchase the 2016B Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the 2016B Bonds less an Underwriter’s discount of \$\_\_\_\_\_). The Underwriter will purchase all of the 2016 Bonds if any are purchased.

The Underwriter may offer and sell 2016 Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement. The offering price may be changed from time to time by the Underwriter.

### **Legal Opinion**

The final approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, will be furnished to the purchaser at the time of delivery of the 2016 Bonds.

Copies of the proposed forms of Bond Counsel’s final approving opinions with respect to the 2016 Bonds are attached hereto as Appendix B.

In addition, certain legal matters will be passed on by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel, and by Nossaman LLP, Irvine, California, as Underwriter’s Counsel.

Certain legal matters will be passed on for the Successor Agency by the County Counsel of the County, as general counsel for the Successor Agency.

*Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the sale and delivery of the 2016 Bonds. From time to time, Bond Counsel represents the Underwriter in connection with matters unrelated to the 2016 Bonds.*

### **Litigation**

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the 2016 Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing or seeking to restrain or enjoin the repayment of the 2016 Bonds or which, in any manner, questions the right of the Successor Agency to use the Tax Revenues for repayment of the 2016 Bonds or affects in any manner the right or ability of the Successor Agency to collect or pledge the Tax Revenues. See, however, “RISK FACTORS – Challenges to Dissolution Act.”

## Ratings

S&P is expected to assign its rating of “AA” to the Insured Bonds with the understanding that the Bond Insurance Policy will be issued by AGM concurrently with the delivery of the Insured Bonds. S&P has assigned an underlying rating of “BBB” to the 2016 Bonds. The ratings issued reflect only the view of S&P as to the credit quality of the 2016 Bonds, and explanation of the significance of the ratings may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the Successor Agency which is not included in this Official Statement) and on investigations, studies and assumptions by rating agencies. There is no assurance that such ratings will be retained for any given period of time or that they will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the 2016 Bonds.

## Financial Advisor

The Successor Agency has retained CSG Advisors Incorporated, San Francisco, California, as Financial Advisor for the sale of the 2016 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## Continuing Disclosure

The Successor Agency will covenant for the benefit of owners of the 2016 Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than March 31 after the end of each fiscal year of the Successor Agency (currently June 30th), commencing not later than March 31, 2016 with the report for the 2014-15 fiscal year (the “**Annual Report**”), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in “APPENDIX D – FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE,” attached to this Official Statement. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

The County and certain related entities, including the Former Agency previously entered into certain disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the County and such related entities have, in some instances, failed to comply with their undertakings. In particular, in the last five years, there have been some incomplete and late continuing disclosure filings by the Former Agency and filings regarding certain County Special District (Mello-Roos) Bonds and Single Family Housing Bonds. In addition, during such period, the Former Agency failed to file a notice regarding an upgrade by S&P of its rating of the 2005 Bonds initially insured by Radian Asset Guaranty in connection with the purchase of Radian Asset Guaranty by Assured Guaranty Corporation. All such historical non-compliance has been remedied. The Underwriter does not consider the County, the Former Agency or any special district of the County to be an “obligated person” with respect to the 2016 Bonds for purposes of the Rule.

To ensure compliance with the continuing disclosure undertakings of the County, the County Administrative Office, Finance and Administration division is responsible for preparing and filing annual disclosure reports.

### **Audited Financial Statements**

The Successor Agency's audited financial statements for the fiscal year ended June 30, 2014 are attached as Appendix E. The Successor Agency's audited financial statements were audited by Rogers, Anderson, Malody & Scott, LLP (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of the Successor Agency's audited financial statements in this Official Statement and has not reviewed this Official Statement.

As described in "SECURITY FOR THE 2016 BONDS – Limited Obligation," the 2016 Bonds are payable from and secured by a pledge of Tax Revenues and the 2016 Bonds are not a debt of the County.

### **Miscellaneous**

All of the preceding summaries of the Indenture, the Redevelopment Law, the Dissolution Act, other applicable legislation, the San Sevaire 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 Successor Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2016 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 Chief Executive Director has been duly authorized by the Successor Agency.

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE  
COUNTY OF SAN BERNARDINO**

By: \_\_\_\_\_  
Chief Executive Director



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## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following is a summary of certain provisions of the Master Indenture, the First Supplement and the Second Supplement (collectively, the "Indenture"), and is supplemental to the summary of other provisions of such document described elsewhere in this Official Statement. This summary does not purport to be comprehensive or definitive, and reference should be made to such document for full and complete statement of its provisions. All capitalized terms used but not otherwise defined in this Appendix shall have the meanings assigned to such terms in the Indenture.*

#### Definitions

"*Additional Revenues*" means, as of the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Fiscal Consultant, are estimated to be received by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area due to the completion of construction which is not then reflected on the tax rolls, or due to transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls or other instances of valuation change. 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 Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area (as evidenced in the written records of the County) as of the date on which such calculation is made.

"*Agency*" means the Successor Agency to the Redevelopment Agency of the County of San Bernardino, a public body, corporate and politic, duly organized and existing under the laws of the State of California, acting as successor agency to the dissolved Redevelopment Agency of the County of San Bernardino pursuant to the Dissolution Act.

"*Amendment No. 2*" means the Amendment No. 2 to the Redevelopment Plan approved by Ordinance No. 3961 enacted by the Board of Supervisors of the County on November 1, 2005.

"*Annual Debt Service*" means, for each Bond Year, the sum of (a) the interest payable 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 as scheduled, (b) the principal amount of the Outstanding Serial Bonds payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from Mandatory Sinking Account payments in such Bond Year.

"*Bond*" or "*Bonds*" means, collectively, the 2010 Bonds and the 2016 Bonds and, as the context requires, any Parity Debt.

"*Bond Counsel*" means (a) with respect to the 2016 Bonds Stradling Yocca Carlson & Rauth, a Professional Corporation or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency and the Trustee of nationally-recognized experience in the issuance of obligations of public entities.

"*Bond Tax Subsidy Payments*" means the interest portion of Annual Debt Service that is reimbursed to or for the benefit of the Agency by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009, Section 1400U-2 of the Act, or any future similar program) payable in

respect of any Bonds, or, if applicable, similar payments received by or for the benefit of the Agency in respect of any Parity Debt in lieu of tax-exempt treatment of such obligations for federal tax purposes.

*“Bond Year”* means any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive, except that the first Bond Year with respect to the 2016 Bonds shall begin on the 2016 Closing Date and end on September 1, 2016.

*“Business Day”* means a day of the year on which banks in San Bernardino and San Francisco, California, are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

*“Chairman”* means the Chairman of the Agency appointed pursuant to section 33113 of the Redevelopment Law, or other duly appointed officer of the Agency authorized by the Agency by resolution or by-law to perform the functions of the Chairman in the event of the Chairman’s absence or disqualification.

*“Code”* means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

*“Combined Maximum Annual Debt Service”* means, as of the date of calculation, Maximum Annual Debt Service for the current or any future Bond Year following the anticipated issuance of Bonds, as certified in writing by the Agency to the Trustee. For purposes of such calculation, there shall be excluded the principal of and interest on any Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund.

*“Continuing Disclosure Certificate”* means that certain Continuing Disclosure Certificate of the Agency dated as of the 2016 Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

*“Costs of Issuance”* means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, operating expenses, rating agency fees, filing and recording fees, bond insurance premium or other costs of credit enhancement, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

*“Costs of Issuance Fund”* means the fund by that name established and held by the Trustee pursuant to the Indenture.

*“County”* means San Bernardino County, a county duly organized and existing under the laws of the State.

*“County Auditor-Controller”* means the Auditor-Controller of the County of San Bernardino.

*“County Treasurer and Tax Collector”* means the Treasurer and Tax Collector of the County of San Bernardino.

*“Debt Service Fund”* means the fund by that name established and held by the Trustee pursuant to the Indenture.

*“Defeasance Obligations”* means non-redeemable obligations of the United States or those for which the full faith and credit of the United States are pledged (or cash held in certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC) for the timely payment of principal and interest.

*“Dissolution Act”* means Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of the Law, as it may be amended from time to time.

*“DOF”* means the State of California Department of Finance.

*“Escrow Agreement (2005 Bonds)”* shall mean the Escrow Agreement dated \_\_\_\_\_ providing for the defeasance of the 2005 Bonds between the Agency and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent.

*“Event of Default”* means any of the events described in the Indenture.

*“Fair Market Value”* means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

*“Federal Securities”* means direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury) the United States of America, or obligations the payment of principal of and interest on which are guaranteed by, the United States of America.

*“Filing Agent Agreement”* means that certain Filing Agent Agreement dated as of November 1, 2010, between the Agency, the Authority and The Bank of New York Mellon Trust Company, N.A., acting in its capacity as filing agent in connection with the Bond Tax Subsidy Payments.

*“Fiscal Year”* means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve month period selected and designated by the Agency to the Trustee in writing as its official fiscal year period.

*“Indenture”* means the Indenture of Trust by and between the Agency and the Trustee, dated as of December 1, 2005, as amended by that certain First Supplemental Indenture of Trust by and between the same parties, dated as of November 1, 2010, and by that certain Second Supplemental Indenture of Trust by and between the same parties, dated as of February 1, 2016, and as it may be

amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions of the Indenture.

*“Independent Accountant”* means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

*“Independent Financial Consultant”* means any financial consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of the Bonds or any Parity Debt; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

*“Independent Redevelopment Consultant”* means any consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

*“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; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other information services providing information with respect to called bonds as the Agency may designate in a Written Certificate of the Agency delivered to the Trustee.

*“Interest Account”* means the account by that name established and held by the Trustee pursuant to the Indenture.

*“Interest Payment Date”* means March 1 and September 1 in each year, commencing with respect to the 2016 Bonds, September 1, 2016, so long as any of the Bonds remain Outstanding under the Indenture.

*“Law”* means the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the California Health and Safety Code, as heretofore or hereafter amended.

*“Low and Moderate Income Housing Fund”* means the fund of the Agency established by the Agency pursuant to section 33334.3 of the Redevelopment Law.

*“Maximum Annual Debt Service”* means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year following the anticipated issuance of Bonds, as certified in writing by the Agency to the Trustee. For purposes of such calculation, there shall be excluded the principal of and interest on any Parity Debt, together with the interest to accrue

thereon, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund.

*“Moody’s”* means Moody’s Investors Service, its successors and assigns.

*“Original 2016 Purchaser”* means Stifel Nicolaus & Company, Incorporated, the first purchaser of the 2016 Bonds upon their delivery by the Trustee on the 2016 Closing Date.

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

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

*“Oversight Board”* means the oversight board duly constituted from time to time pursuant to Section 34179 of the Dissolution Act.

*“Owner”* or *“Bondowner”* means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

*“Parity Debt”* means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the 2010 Bonds and the 2016 Bonds pursuant to the Indenture.

*“Parity Debt Reserve Amount”* means, (i) so long as any of the 2010 Bonds are Outstanding, the greater of the Reserve Requirement for such issue of Parity Debt, computed as if no other Bonds or Parity Debt were outstanding, and the amount by which the aggregate Reserve Requirement applicable to all Bonds and Parity Debt exceeds the amount on deposit in the 2010 Reserve Subaccount and the 2016 Reserve Subaccount and, (ii) if no 2010 Bonds will remain Outstanding following the issuance of such Parity Debt such amount, if any, as may be specified in the Supplemental Indenture providing for the issue of Parity Debt.

*“Parity Debt Reserve Subaccount”* means the subaccount of that name created under the Indenture.

*“Participating Underwriter”* has the meaning ascribed thereto in the Continuing Disclosure Certificate.

*“Permitted Investments”* means any of the following, but only to the extent that the same are acquired at Fair Market Value and only to the extent that the same are permitted by the Agency’s investment policies, provided that the Trustee is entitled to rely upon any investment direction received by it under the Indenture as a certification that such investment constitutes a Permitted Investment under the Indenture:

- (i) 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.

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) the Export-Import Bank of the United States, (b) the Federal Housing Administration, (c) the Government National Mortgage Association ("GNMA"), (d) the Rural Economic Community Development Administration (formerly known as the Farmers Home Administration), (e) the Federal Financing Bank, (f) the Department of Housing and Urban Development, (g) the General Services Administration, (h) the U.S. Maritime Administration or (i) the Small Business Administration.

(iii) Investments in direct obligations in any of the following agencies which obligations are not fully guaranteed by the full faith and credit of the United States (a) senior obligations by the Federal Home Loan Bank System, (b) senior debt obligations and participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) issued by the Federal Home Loan Mortgage Corporation ("FHLMC") or senior debt obligations and mortgage-backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) of the Federal National Mortgage Association ("FNMA") (c) obligations of the Resolution Funding Corporation ("REFCORP") or (d) senior debt obligations of the Student Loan Marketing Association ("SLMA") (excluding securities that do not have a fixed par value/or whose terms do not promise a fixed dollar amount at maturity or call date).

(iv) Investments in (a) U.S. dollar denominated deposit accounts, federal funds, bankers acceptances, and certificates of deposit of any bank including the Trustee and its affiliates whose short term debt obligations are rated A-1+ by S&P and P-1 by Moody's and maturing no more than 360 calendar days after the date of purchase (holding company ratings are not considered as rating of the bank) or (b) Certificates of deposit of any bank including the Trustee and its affiliates, which certificates are fully insured by the Federal Deposit Insurance Corporation ("FDIC").

(v) Investments in money market funds rated "AAAm" or "AAAm-G" by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services.

(vi) Commercial paper which is rated at the time of purchase in the single highest classification, P-1 by Moody's, Inc. and A-1+ by S&P and which matures not more than 270 calendar days after the date of purchase.

(vii) Pre-refunded municipal obligations defined as follows: any bonds or other obligations rated "AAA" by S&P and "Aaa" by Moody's (based on an irrevocable escrow account or fund) of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice.

(viii) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A1/A+" or higher by both Moody's and S&P.

The value of the above investments (paragraphs i-viii) shall be determined as follows:

"Value," which shall be determined as of the end of each quarter, means that the value of any investments shall be calculated as follows:

for securities:

(1) computed on the basis of the bid price last quoted by the Federal Reserve Bank of New York on the valuation date and printed in the Wall Street Journal or the New York Times; or

(2) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

(3) the lower of two dealer bids on the valuation date. The dealer or their parent holding companies must be rated at least investment grade by S&P and Moody's and must be market makers in the securities being valued.

(4) as to certificates of deposit and banker's acceptances: the face amount thereof, plus accrued interest.

(ix) Repurchase agreements with (a) any domestic bank, or domestic branch of a foreign bank, the long term debt which is rated at least "A" by S&P and "A2" by Moody's; or (b) any broker-dealer with "retail customers" or a related affiliate thereof which broker dealer has, or the parent company (which guarantees the provider) of which has, long term debt rated at least "A" by S&P and "A2" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (c) any other entity rated at least "A" by S&P and "A2" by Moody's, provided that:

a) the repurchase agreement is collateralized with the obligations described in paragraphs (i) or (ii) above; or with obligations described in paragraph (iii) (a) and (b) above.

b) the trustee will value the collateral securities at least weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within (2) business days.

c) the market value of the collateral must be maintained at: 104% of the total principal of the repurchase agreement for obligations described in paragraphs (i) and (ii); 105% of the total principal of the repurchase agreement for obligations described in paragraph (iii) (a) and (b) above.

d) the trustee or a third party acting solely as agent therefore or for the issuer (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books).

e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, and substituted collateral and all proceeds thereof.

f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the issuer or the trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the issuer or trustee.



(x) Investment agreements with (a) a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long term debt is rated at least "AA" by S&P and "Aa2" by Moody's; or (b) a monoline municipal bond insurance company or a subsidiary thereof whose claims paying ability is rated at least "AA" by S&P and "Aa2" by Moody's; provided, that in all cases, by the terms of the investment agreement:

a) interest payments are to be made to the Trustee at least one business day prior to debt service payment dates on the Bonds and in such amounts as are necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Indenture specifically requires the Agency or the Trustee to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

d) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Indenture;

e) the term of the investment agreement does not exceed seven years.

f) the Agency or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Agency) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Agency;

g) the investment agreement shall provide that if during its term:

(1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider must, at the direction of the Agency or the Trustee, within 10 days of receipt of such direction, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Agency, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") Permitted Collateral which are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (ii) repay the principal of and accrued but unpaid interest on the investment (the choice of (i) or (ii) above shall be that of the Agency or Trustee, as appropriate), and

(2) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" or "A3" by S&P or Moody's, as appropriate, the provider must, at the direction of the Agency or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment in either case with no penalty or premium to the Agency or Trustee;

h) The investment agreement shall state and an opinion of counsel shall be rendered that the trustee has a perfected first priority security interest in the Permitted Collateral, any

substituted collateral and all proceeds thereof (in the case of bearer securities, this means the trustee is in possession); and

i) the investment agreement must provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Agency or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or Trustee, as appropriate;

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or Trustee, as appropriate;

(3) the provider fails to perform any of its obligations under the Investment Agreement (other than obligations related to payment or rating) and such breach continues for ten (10) Business Days or more after written notice thereof is given by the Trustee to the provider, it shall be an Event of Default; or

(4) a representation or warranty made by the provider proves to have been incorrect or misleading in any material respect when made, it shall be an Event of Default.

Permitted Collateral for Investment Agreements ("Permitted Collateral"):

A. U.S. direct Treasury obligations,

B. Senior debt and/or mortgage backed obligations of GNMA, FNMA or FHLMC and other government sponsored agencies backed by the full faith and credit of the U.S. government.

C. Collateral levels must be 104% of the total principal deposited under the investment agreement for U.S. direct Treasury obligations, GNMA obligations and full faith and credit U.S. government obligations and 105% of the total principal deposited under the investment agreement for FNMA and FHLMC.

D. The collateral must be held by a third party, segregated and marked to market at least weekly.

(xi) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

*"Plan Limitations"* means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time and (b) the period of time for establishing or repaying indebtedness payable from Tax Revenues.

*"Principal Account"* means the account by that name established and held by the Trustee pursuant to the Indenture.

*“Principal Corporate Trust Office”* means such principal corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Agency, initially in Los Angeles, California, or such other office designated by the Trustee from time to time.

*“Project Area”* means the territory within the Redevelopment Project, as described in the Redevelopment Plan.

*“Rating Category”* means any generic rating category of Moody’s or S&P, without regard to any refinement of such category by plus or minus sign or by numerical or other qualifying designation.

*“Recognized Obligation Payment Schedule”* means a Recognized Obligation Payment Schedule, each prepared and approved from time to time pursuant to subdivision (l) of Section 34177 of the California Health and Safety Code.

*“Record Date”* means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) calendar day is a Business Day.

*“Redemption Account”* means the account by that name established and held by the Trustee pursuant to the Indenture.

*“Redevelopment Law”* means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the California Health and Safety Code, and the acts amendatory thereof and supplemental thereto.

*“Redevelopment Obligation Retirement Fund”* means the fund by that name established pursuant to California Health and Safety Code Section 34170.5(b) and administered by the Agency.

*“Redevelopment Plan”* means the Amended and Restated Redevelopment Plan for the San Sevaire Redevelopment Project of the Agency, approved by Ordinance No. 3961 (as amended by Amendment No. 2 to the San Sevaire Redevelopment Plan) enacted by the Board of Supervisors of the County on November 1, 2005, together with any amendments thereof duly authorized pursuant to the Redevelopment Law.

*“Redevelopment Project”* means the San Sevaire Redevelopment Project as described in the Redevelopment Plan.

*“Redevelopment Property Tax Trust Fund”* or *“RPTTF”* means the fund by that name established pursuant to California Health & Safety Code Sections 34170.5(a) and 34172(c) and administered by the Auditor-Controller of the County of Stanislaus.

*“Refunding Law”* means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and the acts amendatory thereof and supplemented thereto.

*“Registration Books”* means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

*“Report”* means a document in writing signed by an Independent Financial Consultant and including: (a) 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; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and (c) a

statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

*“Reserve Account”* means the account by that name established and held by the Trustee pursuant to the Indenture.

*“Reserve Requirement”* means, as of any calculation date, an amount, calculated by or on behalf of the Agency and certified to the Trustee in writing, equal to the least of (a) Maximum Annual Debt Service, (b) 125% of average Annual Debt Service, and (c) ten percent (10%) of the original principal amount of the Outstanding Bonds.

*“Responsible Officer”* means any Vice President, Assistant Vice President or Trust Officer of the Trustee with responsibility for matters related to the Indenture.

*“RPTTF Revenues”* means moneys deposited from time to time in the Redevelopment Property Tax Trust Fund as and if available and subject to other claims, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, as and if available and subject to the equal and senior claims of indebtedness, if, any, which may be attributable to project areas of the Agency, other than the Project Area, if any, exclusive of amounts otherwise received as Tax Revenues under the Indenture.

*“S&P”* means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc., New York, New York, or its successors.

*“Second Supplement”* means the Second Supplemental Indenture of Trust dated as of \_\_\_\_\_ 1, 2016, by and between the Agency and the Trustee, as the same may be amended and supplemented from time to time in accordance with the terms of the Indenture.

*“Securities Depositories”* The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-7232; or, in accordance with the then current guidelines of the Securities and Exchange Commission to such other addresses and/or such other securities depositories as the Agency may designate in a Request of the Agency delivered to the Trustee.

*“Serial Bonds”* means all Bonds other than Term Bonds.

*“Sinking Account”* means the account by that name established and held by the Trustee pursuant to the Indenture.

*“Special Fund”* means the fund by that name established and held by the Agency pursuant to the Indenture.

*“State”* means the State of California.

*“Subordinate Debt”* means any loans, advances or indebtedness issued or incurred by the Agency pursuant to the Indenture, which are either: (a) by its terms payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds.

*“Supplemental Indenture”* means any resolution, agreement or other instrument amendatory of or supplemental to the Indenture which has been duly adopted or entered into by the Agency, but

only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

*“Tax Revenue Certificate”* means a Written Certificate of the Agency identifying the amount of all Tax Revenues received or to be received by the Agency in the then current Fiscal Year.

*“Tax Revenues”* means all taxes pledged and annually allocated to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, and all payments, subventions and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, but excluding such taxes (if any) (i) which are required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to section 33334.3 of the Law for increasing and improving the supply of low and moderate income housing, and (ii) which constitute amounts payable by the Agency under sections 33607.5 or 33607.7 of the Law for payments to affected taxing entities except and to the extent such amounts so payable are payable on a basis subordinate to the payment of the Bonds and any Parity Debt. Provided, however, that portion of such taxes required by section 33334.3 of the Law to be deposited in the Low and Moderate Income Housing Fund shall be available to repay that portion of any Bonds (including applicable reserves and financing costs) issued to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area.

*“Term Bonds”* means, collectively, (a) the 2005 Bonds maturing on September 1, 2025, September 1, 2030 and September 1, 2035, (b) the 2010A Bonds maturing on September 1, 2020, September 1, 2030, September 1, 2035 and September 1, 2040, (c) the 2010B Bonds maturing on September 1, 2040, (d) the 2016A Bonds maturing on September 1, 20\_\_, and September 1, 20\_\_, (e) the 2016B Bonds maturing on September 1, 20\_\_ and (f) any maturity of Parity Debt which is subject to mandatory Sinking Account redemption pursuant to the Supplemental Indenture authorizing the issuance thereof.

*“Trustee”* means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture, or any successor thereto appointed as trustee in accordance with the Indenture.

*“2010 Bonds”* means, collectively, the 2010A Bonds and the 2010B Bonds authorized by and at any time Outstanding pursuant to the Indenture.

*“2010A Bonds”* means the Redevelopment Agency of the County of San Bernardino, (San Sevine Redevelopment Project) 2010 Series A (Taxable) executed and delivered by the Agency pursuant to the First Supplement.

*“2010B Bonds”* means the Redevelopment Agency of the County of San Bernardino, (San Sevine Redevelopment Project) 2010 Series B (Taxable Recovery Zone Economic Development Bonds) executed and delivered by the Agency pursuant to the First Supplement.

*“2010 Closing Date”* means the date, with respect to the 2010 Bonds, on which the 2010 Bonds were delivered by the Agency to the original purchaser thereof.

*“2010 Original Purchaser”* means the original purchaser of the 2010 Bonds upon their delivery by the Trustee on the 2010 Closing Date.

*“2010 Redevelopment Fund”* means the fund established and held by the Agency pursuant to the Indenture.

*"2010 Reserve Amount"* has the meaning ascribed thereto in the First Supplement.

*"2010 Reserve Subaccount"* the subaccount of that name created under the First Supplement.

*"2016A Bonds"* means the Redevelopment Agency of the County of San Bernardino, (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2016 Series A Bonds (Taxable).

*"2016B Bonds"* means the Redevelopment Agency of the County of San Bernardino, (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2016 Series B Bonds.

*"2016 Bonds"* means, collectively, the 2016A Bonds and the 2016B Bonds.

*"2016 Closing Date"* means \_\_\_\_\_, 2016, being the date on which the 2016 Bonds are delivered by the Agency to the Original 2016 Purchaser.

*"2016 Costs of Issuance"* means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the 2016 Bonds, including but not limited to printing expenses, premiums for any municipal bond insurance policy that may be purchased, costs of cash flow verifications, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel (including the Trustee's first annual administrative fee), fees, charges and disbursements of attorneys including bond counsel, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the 2016 Bonds and any other cost, charge or fee in connection with the original issuance of the 2016 Bonds.

*"2016 Costs of Issuance Fund"* means the fund by that name established and held by the Trustee pursuant to the Indenture.

*"2016 Escrow Fund"* means the fund established and held by the Trustee pursuant to the Indenture.

*"2016 Insurance Policy"* or *"2016 Policy"* the insurance policy issued by the 2016 Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

*"2016 Insured Bonds"* means the 2016 Bonds.

*"2016 Insurer"* means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

*"2016 Reserve Amount"* means the greater of (i) the Reserve Requirement for the 2016 Bonds, computed as if no other Bonds or Parity Debt were outstanding, (ii) the original principal amount of the 2016 Reserve Policy, and (iii) so long as any of the 2010 Bonds are Outstanding, the amount by which the aggregate Reserve Requirement applicable to all Bonds and Parity Debt exceeds the amount on deposit in the 2010 Reserve Subaccount and the Parity Debt Reserve Subaccount.

*"2016 Reserve Subaccount"* means the subaccount of that name created under the Second Supplement.

*"2016 Reserve Policy"* means the Municipal Bond Debt Service Reserve Insurance Policy delivered on the 2016 Closing Date by the 2016 Reserve Policy Provider.

*“2016 Reserve Policy Costs”* has the meaning ascribed thereto under the heading *“Provisions Relating to the 2016 Reserve Policy.”*

*“2016 Reserve Policy Provider”* means the 2016 Insurer in its capacity as issuer of the 2016 Reserve Policy.

*“Written Request of the Agency”* or *“Written Certificate of the Agency”* means a request or certificate, in writing signed by the Executive Director, Secretary or Treasurer of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

### **Deposit and Application of Proceeds of Bonds; Parity Debt**

2016 Costs of Issuance Fund. There is established under the Indenture a separate fund to be known as the “2016 Costs of Issuance Fund,” which shall be held by the Trustee in trust. The moneys in the 2016 Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the 2016 Costs of Issuance upon submission of a Written Request of the Agency stating (i) the person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the 2016 Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior Written Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. The Trustee shall use the proceeds of the 2016 Bonds (and any investment earnings thereon) deposited to the 2016 Costs of Issuance Fund for purposes of such fund prior to the use of any other amounts in such fund. On the earlier of (x) the date which is six (6) months following the Closing Date, or (y) the date of receipt by the Trustee of a Written Request of the Agency therefor, all amounts (if any) remaining in the 2016 Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred ratably to the Special Fund and the 2016 Costs of Issuance Fund shall be closed. The Trustee shall establish a separate subaccount for purposes of each deposit required under the Indenture and such subaccounts shall be charged ratably for all 2016 Costs of Issuance for use for purposes of the Interest Account.

2016 Escrow Fund. There is established under the Indenture a separate fund to be held by the Agency, to be known as the “2016 Escrow Fund” and accounts therein named the “2016A Proceeds Account” and the “2016B Proceeds Account.” On the Closing Date, the moneys deposited in the 2016 Escrow Fund on the Closing Date shall be immediately transferred concurrently to the Escrow Agent under the Escrow Agreement in accordance with written instructions from the Agency, whereupon the Escrow Fund shall be closed.

Deposit and Investment of Moneys in Funds. Moneys in the funds and accounts held by the Trustee with respect to the 2016 Bonds under the Indenture shall be invested by the Trustee in Permitted Investments directed in the Written Request of the Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments. The Trustee shall hold such funds uninvested pending the receipt of written investment directions.

Moneys in the funds and accounts held by the Agency with respect to the 2016 Bonds under the Indenture may be invested by the Agency in any obligations in which the Agency is legally authorized to invest its funds.

Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the respective funds and accounts from which such investment shall have been made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee

may act as principal or agent in the acquisition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

Except as otherwise provided in the Indenture, the Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the 2016 Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued by or on behalf of the Agency at their present value (within the meaning of section 148 of the Code). To the extent that any valuations of investments are made by the Trustee, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

Security for 2016 Bonds. The 2016 Bonds shall be Parity Debt for all purposes of the Indenture which shall be secured in the manner and to the extent set forth in the Indenture, including Article IV thereof and in this Article XII.

The Trustee shall establish a separate subaccount in each account of the Debt Service Fund to separately account for amounts attributable to the 2010 Bonds, the 2016 Bonds of each series and any Parity Debt.

Issuance of Parity Debt. In addition to the Bonds, the Agency may issue or incur Parity Debt in such principal amount as shall be determined by the Agency, pursuant to a Supplemental Indenture adopted or entered into by the Agency in accordance with the Indenture and, to the extent any of the 2010 Bonds will remain Outstanding following such issuance, the provisions of the Indenture described under the heading "First Supplement Provisions regarding Issuance of Parity Debt," below.

(a) The Agency may, by Supplemental Indenture, issue or incur Parity Debt payable from Tax Revenues on a parity with the Bonds and payable from RPTTF Revenues on a parity with the 2016 Bonds and other Parity Debt (except the 2010 Bonds) to the extent provided in the Dissolution Act, for the purpose of refinancing the 2010 Bonds, the 2016 Bonds or any Parity Debt in whole or in part in accordance with Section 34177.5 of the Dissolution Act, in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such other Parity Debt subject to the following specific conditions precedent to the issuance and delivery of such Parity Debt issued under the Indenture:

(i) The Agency shall certify that no Event of Default (or no event with respect to which notice has been given and which, once all notice or grace periods have passed, would constitute an Event of Default) shall have occurred and then be continuing and that Annual Debt



Service on the Parity Debt shall not be greater than Annual Debt Service with respect to the Bonds being refunded and the final maturity of the Parity Debt shall not be later than the final maturity of the Bonds being refunded;

(ii) the Supplemental Indenture providing for the issuance of such Parity Debt shall provide that:

(A) Interest on said Parity Debt shall be payable on March 1 and September 1 in each year of the term of such Parity Debt except the first twelve month period, during which interest may be payable on any March 1 or September 1; and

(B) The principal of such Parity Debt shall be payable on September 1 in any year in which principal is payable;

(iii) the Supplemental Indenture providing for the issuance of such Parity Debt may provide for the establishment of separate funds and accounts;

(iv) an opinion of Bond Counsel shall be rendered stating (i) that the Supplemental Indenture relating to the Parity Debt is valid and enforceable in accordance with its terms, (ii) that such Supplemental Indenture creates a valid pledge of that which it purports to pledge, and (iii) that the total principal amount of Parity Debt to be issued or incurred and then Outstanding will not exceed any limit imposed by law;

(v) the Supplemental Indenture providing for the issuance of such Parity Debt shall provide for the deposit into a Parity Debt Reserve Subaccount of an amount required to cause the balance therein to equal the full amount of the Parity Debt Reserve Amount; and

(vi) the Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

(b) Nothing in the Indenture shall preclude the Agency from issuing additional indebtedness under Section 34177.5 of the Dissolution Act secured by RPTTF Revenues in accordance with such Dissolution Act. The Agency shall provide the Trustee with a Written Certificate confirming that the issuing of such indebtedness complies with Section 34177.5. To the extent permitted by law, any such indebtedness shall be on a parity with the pledge of RPTTF Revenues under the Indenture and shall not be subordinate thereto.

#### First Supplement Provisions regarding Issuance of Parity Debt.

(a) In addition to the Bonds, the Agency may, by Supplemental Indenture, issue or incur Parity Debt payable from Tax Revenues on a parity with the Bonds to finance the Redevelopment Project in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such other Parity Debt subject to the following specific conditions precedent to the issuance and delivery of such Parity Debt issued under the First Supplement:

(i) The Agency shall certify that no Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) shall have occurred and then be continuing.

(ii) 200% (or at such time as the assessed value of the property owned by each property owner in the Project Area is not greater than 33% of the total incremental assessed value of the Project Area, 150%) of the portion of Combined Maximum Annual Debt Service (other than

Combined Maximum Annual Debt Service payable from amounts in the Low and Moderate Income Housing Fund) following the issuance of the Parity Debt will not exceed the Tax Revenues (excluding Tax Revenues required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.3 of the Law) for the current Fiscal Year, plus, at the option of the Agency, the Additional Revenues, based on the most recent assessed valuation of property in the Project Area, as evidenced in written documentation from an appropriate official of the County;

(iii) 200% (or at such time as the assessed value of the property owned by each property owner in the Project Area is not greater than 33% of the total incremental assessed value of the Project Area, 150%) of the portion of Combined Maximum Annual Debt Service payable from amounts in the Low and Moderate Income Housing Fund following the issuance of the Parity Debt will not exceed the Tax Revenues required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.3 of the Law for the current Fiscal Year, plus, at the option of the Agency, the Additional Revenues, based on the most recent assessed valuation of property in the Project Area, as evidenced in written documentation from an appropriate official of the County;

For purposes of parts (ii) and (iii), there may be excluded from Combined Maximum Annual Debt Service an amount equal to any portion thereof for which the Agency estimates a Bond Tax Subsidy Payment will be payable to or for the benefit of the Agency, provided that such Bond Tax Subsidy Payment is pledged as additional security for the Bonds pursuant to the Supplemental Indenture and is otherwise treated as Tax Revenues for purposes of the deposit of such amounts to the Debt Service Fund.

(iv) the Supplemental Indenture providing for the issuance of such Parity Debt shall provide that:

(A) Interest on said Parity Debt shall be payable on March 1 and September 1 in each year of the term of such Parity Debt except the first twelve month period, during which interest may be payable on any March 1 or September 1; and

(B) The principal of such Parity Debt shall be payable on September 1 in any year in which principal is payable;

(v) the Supplemental Indenture providing for the issuance of such Parity Debt may provide for the establishment of separate funds and accounts;

(vi) an opinion of Bond Counsel shall be rendered stating (i) that the Supplemental Indenture relating to the Parity Debt is valid and enforceable in accordance with its terms, (ii) that such Supplemental Indenture creates a valid pledge of that which it purports to pledge, and (iii) that the total principal amount of Parity Debt to be issued or incurred and then Outstanding will not exceed any limit imposed by law;

(vii) the Supplemental Indenture providing for the issuance of such Parity Debt shall provide for the deposit into the Reserve Account of an amount required to cause the balance therein to equal the full amount of the Reserve Requirement; and

(viii) the Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in paragraphs (i), (ii), (iii), (iv), (v), (vi) and (vii) of subsection (a) above have been satisfied.

(b) If such Parity Debt is payable at a variable interest rate ("Variable Rate Debt"), interest should be calculated assuming the 30-year Revenue Bond Index as published by The Bond Buyer no more than two weeks prior to date of sale.

Issuance of Subordinate Debt. In addition to the Bonds, the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture and all Supplemental Indentures; and

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the Plan Limitations on the amount of Tax Revenues, then all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance or incurrence of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted within the Plan Limitations.

If the holder of the Subordinate Debt is a commercial bank, savings bank, savings and loan association or other financial institution which is authorized by law to accept and hold deposits of money or issue certificates of deposit, such holder must agree to waive any common law or statutory right of setoff with respect to any deposits of the Agency maintained with or held by such holder.

Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Redevelopment Project or upon the performance by any person of his obligation with respect to the Redevelopment Project.

### **Security of Bonds; Flow of Funds**

Security of Bonds; Equal Security. Except as provided in the Indenture, the Agency transfers in trust, grants a security interest in and pledges to the Trustee for the benefit of the Owners from time to time, a security interest in and a first and exclusive lien on all of the Tax Revenues, and a first and exclusive pledge of, a security interest in and lien upon all of the moneys in the Special Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, the Redemption Account, the Redevelopment Fund and the Low and Moderate Income Housing Fund, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Said pledge shall attach, be perfected and be valid and binding from and after delivery of the Bonds without any physical delivery thereof or further act. Except for the Tax Revenues and such moneys, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds. The Agency has not made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Tax Revenues that ranks on a parity with or prior to the pledge granted under the Indenture.

The Agency further transfers in trust, grants a security interest in and pledges to the Trustee for the benefit of the Owners from time to time, a security interest in and a first and exclusive lien on any Bond Tax Subsidy Payments received by the Agency with respect to the 2010B Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Said pledge shall attach, be perfected and be valid and binding from and after delivery of the 2010 Bonds without any physical delivery thereof or further act. The Agency represents it has not made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Bond Tax Subsidy Payments that ranks on a parity with or prior to the pledge granted under the Indenture. Bond Tax Subsidy Payments, if any, received by the Agency with respect to the 2010B Bonds shall be deposited promptly with the Trustee for deposit in the Debt Service Fund and treated for all purposes of such fund as Tax Revenues. The Trustee is authorized to establish a separate

subaccount in each account of the Debt Service Fund to account for the deposit and application of the Bond Tax Subsidy Payments received, if any. The Agency shall comply with all requirements of the Code reasonably necessary to cause timely payment of Bond Tax Subsidy Payments, including at the Agency's discretion entry into the Filing Agent Agreement. The Low and Moderate Income Housing Fund is not available to pay debt service on the 2010 Bonds, except to the extent such amounts are available as a result of issuance of 2005 Bonds or Parity Debt to the extent allowed by the terms of the Original Indenture or the Supplemental Indenture providing for such 2005 Bonds or Parity Debt, as the case may be.

The 2016 Bonds and any Parity Debt issued after the issuance of the 2016 Bonds are additionally secured by all RPTTF Revenues to the extent provided in the Dissolution Act. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then RPTTF Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to California Health and Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

RPTTF Revenues, if any, received by the Agency with respect to the 2016 Bonds and any Parity Debt shall be deposited promptly with the Trustee for deposit in the subaccounts of the Debt Service Fund for the 2016 Bonds and any Parity Debt secured by a pledge of such RPTTF Revenues and shall be treated for all purposes of this Article IV as Tax Revenues. The Trustee is authorized to establish a separate subaccount in each account of the Debt Service Fund to account for the deposit and application of the RPTTF Revenues received.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of the Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Special Fund; Deposit of Tax Revenues. The Indenture establishes a special fund known as the "Special Fund," which shall be held by the Agency. The Agency shall transfer all of the Tax Revenues received in any Bond Year to the Special Fund promptly upon receipt thereof by the Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture.

Except as provided in the Indenture, all Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year pursuant to the preceding paragraph shall be released from the pledge and lien under the Indenture for the security of the Bonds and may be applied by the Agency for any lawful purposes of the Agency, including but not limited to the payment of Subordinate Debt, or the payment of any amounts due and owing to the United States of America pursuant to the Indenture. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indentures, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture.

Without limiting the foregoing, the Agency shall take the following steps to assure allocation to it of Tax Revenues in accordance with the preceding two paragraphs:

(a) Pursuant to the laws of the State of California, including California Health and Safety Code Sections 34183 and 34170.5(b), the County Auditor-Controller is obligated to deposit the Tax Revenues into the Redevelopment Property Tax Trust Fund. In furtherance of the requirements of the Indenture relating to the receipt of Tax Revenues, and the Dissolution Act, and in accordance with the County Auditor-Controller's obligations as set forth in California Health and Safety Code Section 34183, the Agency shall take all steps to ensure that the County Auditor-Controller (1) deposits the Tax Revenues into the Special Fund, (2) allocates funds for the principal and interest payments due on the Outstanding 2016 Bonds and any Parity Debt, Bond Insurer Reimbursement Amounts, any deficiency in the Reserve Account, including the 2016 Reserve Account, and any subaccount therein pursuant to each valid Recognized Obligation Payment Schedule in accordance with the Dissolution Act and as provided in the Indenture, and (3) make the transfers to the Trustee required under the Indenture.

(b) The Agency will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedule for each six-month or other applicable period all payments expected to be made to the Trustee in order to satisfy the requirements of the Indenture, including any amounts required to pay principal and interest payments due on the Outstanding Bonds and any Parity Debt, Bond Insurer Reimbursement Amounts and any deficiency in the Reserve Account, and any subaccount therein to the full amount of the Reserve Requirement. The Agency shall include in its Recognized Obligation Payment Schedule the amounts required to be transmitted to the Trustee for deposit in the Special Fund.

(c) Commencing February 1, 2016, in order to ensure that amounts are available for the Trustee to make timely payments on all 2016 Reserve Policy Costs, Bond Insurer Reimbursement Amounts under the 2016 Policy, and the principal of, and interest on, the Bonds and any Parity Debt coming due with respect to the applicable Semiannual Period and for the applicable Bond Year in accordance with the Indenture, not later than February 1 of each year, the Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the San Bernardino County Auditor-Controller that shall include (i) all amounts necessary to pay debt service on all Bonds and other Parity Debt in accordance with the Agency's obligations under the Indenture, to be paid to the Agency from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on June 1 and January 2 of the following calendar year, (ii) any amount required to be deposited in the Reserve Account and subaccounts therein, in order to maintain in the Reserve Account the amount of the Reserve Requirement or applicable Reserve Amount, as applicable and (iii) all 2016 Reserve Policy Costs and Bond Insurer Reimbursement Amounts under the 2016 Policy due in the applicable Semiannual Period. Such actions shall further include, without limitation, placing on the periodic Recognized Obligation Payment Schedules for approval by the Oversight Board and the State Department of Finance, the amounts to be held by the Agency as a reserve, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture for the next payment due in the following Semiannual Period or to otherwise comply with the Agency's obligations under the Indenture. For purposes of this subparagraph (c) "Semiannual Period" means (a) each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and (b) each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year.

Deposit of Amounts by Trustee. The Indenture established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee under the Indenture in trust. The Trustee

shall establish within each of the Interest Account, Principal Account and Sinking Account, a subaccount for each of the 2010 Bonds, 2016 Bonds and each issue of Parity Debt for the purpose of holding funds payable with respect thereto.

(a) *Interest Account.* On or before the fifth Business Day preceding each Interest Payment Date, the Agency shall withdraw from the Special Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. 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 redeemed prior to maturity pursuant to the Indenture).

(b) *Principal Account.* On or before the fifth Business Day preceding September 1 in each year, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and maturing Term Bonds on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Serial Bonds and maturing Term Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and maturing Term Bonds as it shall become due and payable.

(c) *Sinking Account.* No later than the fifth Business Day preceding each September 1 on which any Outstanding Term Bonds are subject to mandatory redemption pursuant to the Indenture, or otherwise for purchases of Term Bonds pursuant to the Indenture, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds required to be redeemed on such September 1 pursuant to the Indenture. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon redemption or purchase pursuant to the Indenture.

(d) *Reserve Account.* (i) In the event that a Responsible Officer of the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time is less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. Amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all or a portion of the Bonds then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement (as determined by the Trustee based upon a valuation of investments held in such account performed in accordance with the Indenture) shall be withdrawn from the Reserve

Account semiannually on or before the Business Day preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. If a valuation discloses that amounts in the Reserve Account are less than the Reserve Requirement, which valuation must occur not less than semi-annually, the Agency shall immediately cause the cure thereof from any available moneys. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture, or (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Agency for deposit by the Agency into the Special Fund. The Trustee may conclusively presume that there has been no change in the Reserve Requirement unless notified in writing by the Agency.

The Agency reserves the right to substitute, at any time and from time to time, but with the prior written consent of the 2016 Insurer, one or more letters of credit or other forms of guarantee from a financial institution the long-term unsecured obligations of which are rated not less than "AA" by Moody's or S&P or by such rating agency then rating the Bonds, or surety bonds or bond insurance policies issued by companies the long-term obligations of which are rated not less than "AAA" by Moody's or S&P or by such rating agency then rating the Bonds, in lieu of or in substitution for all or any portion of the moneys then constituting the Reserve Requirement. Any such letter of credit, surety bond, bond insurance policy or other form of guarantee shall provide that the Trustee is entitled to draw amounts thereunder when required for the purposes of making transfers from the Reserve Account to the Interest Account, the Principal Account and the Sinking Account in the event of a deficiency in any such account. Upon deposit by the Agency with the Trustee of any such letter of credit, surety bond, bond insurance policy or other form of guarantee, the Trustee shall withdraw from the Reserve Account and transfer to the Agency for deposit in the Redevelopment Fund moneys in an amount equal to the maximum limits or principal amount, as applicable, of such letter of credit, surety bond, bond insurance policy or other form of guarantee.

(ii) From and after the 2016 Closing Date the provisions of this subpart (ii) shall apply to the Reserve Account, and subpart (i) above shall not apply. The Trustee shall establish subaccounts in the Reserve Account for each of the 2010 Bonds, 2016 Bonds and any Parity Debt, to be named the 2010 Bonds Subaccount, 2016 Bonds Subaccount and the Parity Debt Subaccount. Amounts in each subaccount shall secure and be applied to pay only the 2010 Bonds, 2016 Bonds and Parity Debt to which the subaccount applies, and no other.

On the 2016 Closing Date, there shall be deposited in the 2010 Bonds subaccount cash and investments having a value equal to the 2010 Reserve Amount which shall mean an amount equal to the largest amount of the Reserve Requirement attributable to the 2010 Bonds, assuming no early redemption of Bonds, as certified by the Agency on the 2016 Closing Date, namely \$\_\_\_\_\_, and there shall be deposited in the 2016 Reserve Subaccount the 2016 Reserve Policy. In the event that a Responsible Officer of the Trustee has actual knowledge that the amount on deposit in the 2010 Reserve Subaccount, 2016 Reserve Subaccount or Parity Debt Reserve Subaccount, respectively, at any time is less than the 2010 Reserve Amount, 2016 Reserve Amount or Parity Debt Reserve Amount, the Trustee shall promptly notify the Agency of such fact. In addition and notwithstanding the foregoing, so long as the portion of the Reserve Requirement is covered by the 2016 Reserve Policy, in the event the Agency fails to deposit with the Trustee no later than five (5) Business Days before any Interest Payment Date the full amount of the interest and principal and sinking account payments required to be deposited under the Indenture, the Trustee will, five (5) Business Days before such Interest Payment Date, give Notice of Nonpayment, as defined in the 2016 Reserve Policy, to the 2016 Insurer and the Agency. Upon receipt of payment from the 2016 Insurer, the Trustee shall deposit such amounts in the applicable subaccount of the Interest Account or Principal Account to the extent of any shortfall therein as required by the Indenture. Amounts

payable under the 2016 Reserve Policy shall only be used to secure payments due on the 2016 Bonds. Promptly upon receipt of any such notice applicable to the 2010 Reserve Subaccount, 2016 Reserve Subaccount or Parity Debt Reserve Subaccount, the Agency shall transfer to the Trustee Tax Revenues sufficient to maintain the applicable 2010, 2016 or Parity Debt Reserve Amount on deposit in the applicable subaccount and any amount so transferred shall be applied pro rata, to any, deficient accounts, provided, however, amounts to pay 2016 Reserve Policy costs in excess of the principal amount of the 2016 Reserve Policy if such amount had been computed based upon the Reserve Requirement attributable to the 2016 Bonds shall be reimbursed only from amounts otherwise treated as surplus under the heading "Special Fund; Deposit of Tax Revenues." If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the applicable 2010, 2016 or Parity Debt Reserve Amount on deposit in the subaccounts of the Reserve Account, the Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the applicable 2010, 2016 or Parity Debt Reserve Amount on deposit in the Reserve Account to be applied by the Trustee to subaccounts in accordance with the preceding sentence. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the applicable 2010, 2016 or Parity Debt Reserve Amount. Amounts in the applicable 2010 Reserve Account, 2016 Reserve Account or Parity Debt Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the applicable subaccount of the Interest Account, the Principal Account and the Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all or a portion of the Bonds of the applicable issue then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the applicable subaccount of the Reserve Account in excess of the applicable 2010 Reserve Account, 2016 Reserve Account or Parity Debt Reserve Account (as determined by the Trustee based upon a valuation of investments held in such account performed in accordance the Indenture) shall be withdrawn from the applicable subaccount of the Reserve Account semiannually on or before the Business Day preceding each March 1 and September 1 by the Trustee and deposited in the applicable subaccount of the Interest Account. All amounts in the applicable subaccount of the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the applicable subaccount of the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to this the Indenture, or (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Agency for deposit by the Agency into the Special Fund. The Trustee may conclusively presume that there has been no change in the applicable 2010, 2016 or Parity Debt Reserve Account unless notified in writing by the Agency.

With respect to the 2016 Bonds and any Parity Debt, (but not with respect to the 2010 Bonds) the Agency reserves the right to substitute, at any time and from time to time, one or more letters of credit or other forms of guarantee from a financial institution the long-term unsecured obligations of which are rated not less than "AA" by Moody's or S&P or by such rating agency then rating the Bonds, or surety bonds or bond insurance policies issued by companies the long-term obligations of which are rated not less than "AA" by Moody's or S&P or by such rating agency then rating the Bonds, in lieu of or in substitution for all or any portion of the moneys then constituting the Reserve Requirement. Any such letter of credit, surety bond, bond insurance policy or other form of guarantee shall provide that the Trustee is entitled to draw amounts thereunder when required for the purposes of making transfers from the Reserve Account to the Interest Account, the Principal Account and the Sinking Account in the event of a deficiency in any such account. Upon deposit by the Agency with the Trustee of any such letter of credit, surety bond, bond insurance policy or other form of guarantee, the Trustee shall withdraw from the Reserve Account and transfer to the Agency for deposit in the Redevelopment Fund moneys in an amount equal to the maximum limits or



principal amount, as applicable, of such letter of credit, surety bond, bond insurance policy or other form of guarantee.

(e) *Redemption Account.* On or before the fifth Business Day preceding any date on which Bonds are to be redeemed pursuant to the Indenture or to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund and deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to the Indenture, taking into account any funds then on deposit in the Redemption Account. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Agency designated by the Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to the Indenture on the dates set for such redemption.

(f) *Provisions Relating to the 2016 Reserve Policy.* Notwithstanding the foregoing, the following terms shall govern the Reserve Account so long as the 2016 Reserve Policy is deposited therein:

(1) The Agency shall repay any draws under the 2016 Reserve Policy and pay all related reasonable expenses incurred by the 2016 Insurer and shall pay interest thereon from the date of payment by the 2016 Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (the "Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, the Prime Rate shall be the publicly announced prime or base lending rate of such national bank as 2016 Insurer shall specify. If the interest provisions of this section shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created under the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Indenture, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by 2016 Insurer, with the same force and effect as if the Agency had specifically designated such extra sums to be so applied and the 2016 Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created by the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(2) The Agency shall diligently make repayments for draws and payment of expenses and the interest accrued thereon at the Late Payment Rate (collectively, "Policy Costs") from funds available to the Agency to the extent permitted by law. To the extent that such repayment and payment cannot be made in full within the current Recognized Obligation Payment Schedule Period, the Agency shall include the payment and repayment on the next available Recognized Obligation Payment Schedule and on successive Recognized Obligation Payment Schedules until such payment and repayment have been made in full. Repayment of Policy Costs shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

(3) Amounts in respect of Policy Costs paid to the 2016 Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the 2016 Insurer on account of principal due, the coverage under the 2016 Reserve Policy will be increased by a like amount, subject to the terms of the 2016 Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all Pledged Tax Revenues (subject only to the priority of payment provisions set forth under the Indenture).

(4) All cash and investments in the Reserve Account, if any, shall be transferred to the Debt Service Fund for payment of principal of and interest on the Bonds before any drawing may be made on the 2016 Reserve Policy or any other credit facility credited to the Reserve Account in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the 2016 Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(5) If the Agency shall fail to pay any Policy Costs in accordance with the requirements of this section, the 2016 Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect Owners of the Bonds.

(6) The Indenture shall not be discharged until all Policy Costs owing to the 2016 Insurer shall have been paid in full. The Agency's obligation to pay such amounts shall expressly survive payment in full of the 2016 Bonds.

(7) The Agency shall include any Policy Costs then due and owing the 2016 Insurer in the calculation of the additional bonds test and the rate covenant in the Indenture.

(8) The Trustee shall ascertain the necessity for a claim upon the 2016 Reserve Policy in accordance with the provisions of this section and shall provide notice to the 2016 Insurer in accordance with the terms of the 2016 Reserve Policy at least five (5) Business Days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the Agency with the Trustee to the Debt Service Fund more often than semiannually, the Trustee shall give notice to the 2016 Insurer of any failure of the Agency to make timely payment in full of such deposits within two (2) Business Days of the date due.

(g) The Agency covenants and agrees in the Indenture that all Tax Revenues, when and as received and subject to the Dissolution Act, will be received by the Agency in trust under the Indenture and shall be deemed to be held by the Agency as agent for the Trustee, and will be immediately deposited by the Agency with the Trustee in the Special Fund and will be accounted for through and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Tax Revenues, whether received by the Agency in trust or deposited with the Trustee, all as provided in the Indenture, 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 Agency.

(h) Subject only to the Dissolution Act, in order to assure that funds required to be deposited with the Trustee pursuant to the Indenture are so deposited in a timely fashion and to further secure the 2016 Bonds and any Parity Bonds, the Agency irrevocably authorizes and directs the County Treasurer and Tax Collector and the County Auditor-Controller to transfer any Agency funds then held in, or later received by the County Treasurer and Tax Collector and the County Auditor-Controller for deposit in, the Redevelopment Property Tax Trust Fund and attributable to the Project Area, to the Trustee for deposit into the Special Fund as provided in the Indenture.

### **Other Covenants of the Agency**

Punctual Payment. The Agency shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of the Indenture. The Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and the Bonds.

Limitation on Additional Indebtedness; Against Encumbrances. The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, for which all or any part of the Tax Revenues are pledged as security for payment, excepting only the Bonds, any Parity Debt and any Subordinate Debt. The Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior to the pledge and lien created in the Indenture for the benefit of the Bonds.

Extension of Payment. The Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, 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.

Payment of Claims. The Agency shall promptly pay and discharge, or cause to be paid and discharged, 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 Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds.

Books and Accounts; Financial Statements. The Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the County, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Special Fund, the Redevelopment Fund and the Low and Moderate Income Housing Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared, within one hundred and eighty (180) days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements of Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all

funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency shall furnish a copy of such financial statements to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency shall deliver to the Trustee, annually within one hundred and eighty (180) days after the close of each Fiscal Year so long as the Bonds are Outstanding, a Written Certificate of the Agency and a written certificate or opinion of an Independent Accountant stating that the Agency is in compliance with its obligations under the Indenture.

Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of the 2016 Bonds, the 2016 Bonds shall be incontestable by the Agency.

Payments of Taxes and Other Charges. Except as otherwise provided in the Indenture, the Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, or upon the revenues therefrom when the same shall become due.

Taxation of Leased Property. All amounts derived by the Agency pursuant to section 33673 of the Redevelopment Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of the Indenture.

Disposition of Property. Other than with respect to Amendment No. 2, the Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in, or total assessed valuation of, the Project Area unless such disposition is permitted as provided in the Indenture. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the Tax Revenues following such disposition will be at least equal to one hundred fifty percent (150%) of Combined Maximum Annual Debt Service on the Bonds and on any Parity Debt, the Agency may thereafter make such disposition. If said Report concludes that, following said proposed disposition, the Tax Revenues will not be at least equal to one hundred fifty percent (150%) of Combined Maximum Annual Debt Service on the Bonds and on any Parity Debt, the Agency shall not participate in said proposed disposition.

Maintenance of Tax Revenues; Compliance with Plan Limitations. The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency shall not amend the Redevelopment Plan or enter into any agreement with the County or any other governmental or private entity, which would have the effect of reducing the amount of Tax Revenues otherwise available to the Agency for payment of the Bonds and on any Parity Debt, unless the Agency shall first obtain the Report of an Independent Redevelopment Consultant stating that the Tax Revenues for the then current Fiscal Year and each Fiscal Year thereafter in which the Bonds are Outstanding (calculated on the assumption that such reduction of Tax Revenues was in effect throughout such period), plus, at the option of the Agency, the Additional Revenues, shall be at least equal to one hundred thirty percent (130%) of Maximum Annual Debt Service on the Bonds and all Parity Debt (calculated separately for Bonds and Parity Bonds secured by Tax Revenues deposited into the Low

and Moderate Income Housing Fund and Bonds and Parity Bonds secured by Tax Revenues other than Tax Revenues deposited into the Low and Moderate Income Housing Fund).

Tax Covenants. Interest on the 2016A Bonds is not exempt from federal income taxation; therefore the context does not require treatment of the 2016A Bonds as “Bonds” under the Original Indenture for purposes of application provisions of the Original Indenture dealing with the federal tax exempt status of the “Bonds.”

Notwithstanding any other provision of the Indenture, the Agency covenants to comply with all applicable requirements of the Code necessary to preserve treatment of the 2016B Bonds as obligations exempt from federal income tax under Section 103 of the Code and specifically covenants, without limiting the generality of the foregoing, as follows:

Private Activity. The Agency will take no action or refrain from taking any action or make any use of the proceeds of the 2016B Bonds or of any other moneys or property which would cause the 2016B Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

Arbitrage. The Agency will make no use of the proceeds of the 2016B Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2016B Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

Federal Guarantee. The Agency will make no use of the proceeds of the 2016B Bonds or take or omit to take any action that would cause the 2016B Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

Information Reporting. The Agency will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to maintain the status of the 2016B Bonds as Recovery Zone Economic Development Bonds pursuant to Section 1400U-2 of the Code ;

Hedge Bonds. The Authority will make no use of the proceeds of the 2016B Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Authority takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the status of the 2016B Bonds as Recovery Zone Economic Development Bonds pursuant to Section 1400U-2 of the Code; and

Miscellaneous. The Authority will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Authority in connection with the issuance of the 2016B Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

Redevelopment of Project Area. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Redevelopment Law.

Compliance with the Law. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Redevelopment Law, including, without limitation, duly noticing and holding any public hearing required by either section 33445 or section 33679 of the Redevelopment Law prior to application of proceeds of the

Bonds to any portion of the Redevelopment Project. Without limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund, all amounts when, as and if required to be deposited therein pursuant to the Redevelopment Law.

Management and Operations of Properties. The Agency will manage and operate all properties owned by the Agency and comprising any part of the Redevelopment Project, in a sound and businesslike manner, and will keep such properties insured at all times in conformity with sound business practice.

Continuing Disclosure. The Agency covenants and agrees in the Indenture that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, at the written request of any participating underwriter or the Owners of at least 25% aggregate principal amount of Outstanding 2016 Bonds, shall, but only to the extent indemnified to its satisfaction from any liability, cost or expense, including, but not limited to fees and expenses of its attorneys and additional fees and expenses of the Trustee, or any Bondowner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under the Indenture.

Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, 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 the rights and benefits provided in the Indenture.

Tax Revenues and RPTTF Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues and RPTTF Revenues, including without limitation the timely filing of any necessary Recognized Obligation Payment Schedules.

The Agency expressly finds and determines that the pledge, payment and setting aside of Tax Revenues and RPTTF Revenues as provided for in the Indenture is not subject to any limitation contained in Article XIIIB of the Constitution of the State of California.

Adverse Change in State Law. If, due to an adverse change in State law resulting from legislation or the decision of a court of competent jurisdiction, the Agency determines that it can no longer comply with the Indenture, then the Agency shall immediately notify the County Auditor-Controller and the Trustee in writing of such determination. The Agency shall immediately seek a declaratory judgment or take other appropriate action in a court of competent jurisdiction to determine the duties of all parties to the Indenture, including the County Auditor Controller and the Agency, with regard to the performance of the Indenture by the Agency. The Trustee may, but is in no event obligated to, participate in the process of seeking such declaratory judgment to protect its rights under the Indenture. Any reasonable fees and expenses incurred by the Trustee (including, without limitation, legal fees and expenses) in connection with such participation shall be borne by the Agency.

Credits to Redevelopment Obligation Retirement Fund. The Agency covenants to credit all Tax Revenues (including for this purpose RPTTF Revenues) withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Trustee for the payment of the Bonds and any Parity Debt to the Redevelopment Obligation Retirement Fund established pursuant to Section 34170.5 of the California Health and Safety Code.

Provisions Relating to 2016 Bond Insurance. (a) As long as the 2016 Insurance Policy is in full force and effect and the 2016 Insurer is not in default of its obligations thereunder, upon the occurrence and continuance of an Event of Default, the 2016 Insurer shall be deemed to be the sole Owner of the 2016 Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the 2016 Insured Bonds are entitled to take pursuant to the Indenture pertaining to: (a) defaults and remedies; and (b) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Bond, the Trustee and each Owner of 2016 Bonds appoints the 2016 Insurer as their agent and attorney-in-fact and agree that the 2016 Insurer may at any time during the continuation of any proceeding by or against the Agency under the United State Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment, in each case to the full extent of 2016 Bondowner's rights with respect thereto. In addition, the Trustee and each 2016 Bondowner delegate and assign to the 2016 Insurer, to the fullest extent permitted by law, the rights of the Trustee and each 2016 Bondowner in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Bondowners shall expressly include mandamus.

(b) So long as the 2016 Insurance Policy is in full force and effect and the 2016 Insurer is not in default of its obligations thereunder and to the full extent Owners of 2016 Bonds have the right to direct such action, the Trustee may not provide a grace period for a covenant default of more than 30 days or extend such grace period for more than 60 days without the prior written consent of the 2016 Insurer.

(c) Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Owners of 2016 Bonds or adversely affects the rights and interests of the 2016 Insurer shall be subject to the prior written consent of the 2016 Insurer.

(d) The rights granted to the 2016 Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the 2016 Insurer in consideration of its issuance of the 2016 Insurance Policy. Any exercise by the 2016 Insurer of such rights is merely an exercise of the 2016 Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of 2016 Bonds and such action does not evidence any position of the 2016 Insurer, affirmative or negative, as to whether the consent of the Owners of 2016 Bonds or any other person is required in addition to the consent of the 2016 Insurer.

(e) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the 2016 Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the 2016 Insurer, securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Bonds unless the 2016 Insurer otherwise approves.

To accomplish defeasance, the Agency shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the 2016 Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the 2016 Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the 2016 Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the 2016 Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, Trustee and 2016 Insurer. The 2016 Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

2016 Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(f) Each of the Agency and Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust state under applicable law.

(g) The 2016 Insurer shall, to the extent it makes any payment of principal of or interest on the 2016 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2016 Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Agency to the 2016 Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(h) The Agency shall pay or reimburse the 2016 Insurer any and all charges, fees, costs and expenses that the 2016 Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the 2016 Insurer to honor its obligations under the 2016 Insurance Policy. The 2016 Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Related Document.

(i) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Agency or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(j) The 2016 Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the 2016 Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the 2016 Insurer has received a Notice of Nonpayment (as such terms are defined in the 2016 Insurance Policy) or a claim upon the 2016 Insurance Policy.

(k) The notice address of the 2016 Insurer is: Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director- Surveillance, Re: Policy No. \_\_\_\_\_, Telephone: (212) 974-0100; Telecopier: (212) 339-3556. In each



case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(l) The 2016 Insurer shall be provided with the following information by the Agency or the Trustee, as the case may be:

(1) Annual audited financial statements within two hundred seventy (270) days after the end of the Agency's fiscal year (together with a certification of the Agency that it is not aware of any default or Event of Default under the Indenture), and the Agency's annual budget within thirty (30) days after the approval thereof together with such other information, data or reports as the 2016 Insurer shall reasonably request from time to time.

(2) Notice of any draw upon the 2016 Reserve Policy within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of 2016 Bonds.

(3) Notice of any default actually known to the Trustee or Agency within five Business Days after knowledge thereof.

(4) Prior notice of the advance refunding or redemption of any of the 2016 Bonds, including the principal amount, maturities and CUSIP numbers thereof.

(5) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto.

(6) Notice of the commencement of an Insolvency Proceeding.

(7) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds.

(8) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Indenture.

(9) All reports, notices and correspondence to be delivered to 2016 Bondowners under the terms of the Indenture.

(m) The 2016 Insurer shall have the right to receive such additional information as it may reasonably request.

(n) The Agency will permit the 2016 Insurer to discuss the affairs, finances and accounts of the Agency or any information the 2016 Insurer may reasonably request regarding the security for the 2016 Bonds with appropriate officers of the Agency and will use commercially reasonable efforts to enable the 2016 Insurer to have access to the facilities, books and records of the Agency on any Business Day upon reasonable prior notice.

(o) The Trustee shall notify the 2016 Insurer of any known failure of the Agency to provide notices, certificates and other information under the Indenture.

(p) Notwithstanding satisfaction of the other conditions to the issuance of Parity Debt set forth in the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless

such default shall be cured upon such issuance and (2) unless the Reserve Account is fully funded at Reserve Requirement (including the proposed issue) upon the issuance of such Parity Debt, in either case unless otherwise permitted by the 2016 Insurer.

(q) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the 2016 Bonds or the rights of the Owners of the 2016 Bonds, the effect of any such amendment, consent, waiver, action or inaction shall be considered as if there were no 2016 Insurance Policy.

(r) With respect to Recognized Obligation Payment Schedules: (i) if any amounts payable to the 2016 Insurer are not included on the next Recognized Obligation Payment Schedule, the Agency shall amend such Recognized Obligation Payment Schedule to extent permitted by law; and (ii) the Agency shall not submit a "last and final" Recognized Obligation Payment Schedule without the 2016 Insurer's consent.

### **Modification or Amendment of the Indenture**

Amendment. The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Owners, 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 Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved to or conferred upon the Agency; or

(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 any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Agency, materially adversely affect the interests of the Owners; or

(c) to provide for the issuance of Parity Debt in accordance with the Indenture; or

(d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds issued as tax-exempt Bonds, in the opinion of Bond Counsel; or

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification.

Any rating agency rating the Bonds must receive notice of each amendment to the Indenture and a copy thereof at least fifteen (15) Business Days in advance of its execution or adoption.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties to the Indenture or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification of the Indenture, the Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Agency, as to such amendment or modification and in that case upon demand of the Agency the Owners of such Bonds shall present such Bonds for that purpose at the Principal Corporate Trust Office, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Agency may determine that new Bonds shall be prepared at the expense of the Agency and executed in exchange for any or all of the Bonds, and in that case, upon demand of the Agency, the Owners of the Bonds shall present such Bonds for exchange at the Principal Corporate Trust Office, without cost to such Owners.

Amendment by Mutual Consent. Certain provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

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

Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default under the Indenture:

(a) if default shall be made by the Agency in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond or fees or costs due to the Trustee 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 by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Agency of written notice from the Trustee or any Owner of the occurrence of such default, provided that if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an Event of Default if corrective action is instituted by the Agency within such 30 day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) If the Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred under this section and is continuing, if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, the Trustee shall (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, (b) apply all or any portion of any moneys remaining in the Redevelopment Fund and the Low and Moderate Income Housing Fund transferred by the Agency to the Trustee for the purpose of paying the principal of and interest on the Bonds, and (c) the Trustee shall, subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Promptly upon receiving actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency by telephone confirmed in writing. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

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 moneys due shall have been obtained or entered, the Agency 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 on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable expenses of the Trustee (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel), 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, with the prior written approval of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, 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 of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

*First*, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

*Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net

effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made Written Request of the Agency upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such Written Request of the Agency shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond as provided in the Indenture shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this section or any other provision of the Indenture.

Non-Waiver. Nothing in the Indenture or in the Bonds shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged under the Indenture, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners on the respective Interest Payment Dates, as provided in the Indenture, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner 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 and the Trustee by the Law or by this section may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners or the Trustee, the Agency, the Trustee 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 under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is appointed (and the successive respective Owners by taking and holding the Bonds or Parity Debt shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective 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 respective 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 exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Remedies Not Exclusive. No remedy conferred in the Indenture 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.

Parties Interested In the Indenture. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Agency, the Trustee, their officers, employees and agents and the Owners any right, remedy or claim under or by reason of the Indenture, or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, their officers, employees and agents, and the Owners.

Claims upon the 2016 Insurance Policy. If, on the third Business Day prior to an Interest Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Interest Payment Date, the Trustee shall give notice to the 2016 Insurer and to its designated agent (if any) (the "2016 Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Interest Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Interest Payment Date, the Trustee shall make a claim under the 2016 Insurance Policy and give notice to the 2016 Insurer and the 2016 Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the 2016 Insurer and the 2016 Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the 2016 Insurance Policy.

The Trustee shall designate any portion of payment of principal of the Insured Bonds paid by the 2016 Insurer, whether by virtue of maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Bondowner, whether DTC or its Nominee or otherwise, and shall issue a replacement Insured Bond to the 2016 Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the Agency with respect to any Insured Bond or the subrogation rights of the 2016 Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the 2016 Insurer into the Policy Payments Account (as such term is defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The 2016 Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the 2016 Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondowners referred to in the Indenture as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the 2016 Insurance Policy in trust on behalf of Bondowners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondowners in the same manner as principal and interest payments are to be made on the Bonds under the Indenture. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Indenture to the contrary, the Agency agrees to pay to the 2016 Insurer: (i) a sum equal to the total of all amounts paid by the 2016 Insurer under the 2016 Insurance Policy (the "Bond Insurer Advances"); and (ii) interest on such Bond Insurer Advances from the date paid by the 2016 Insurer until payment thereof in full, payable to the 2016 Insurer at the Late Payment Rate (as such term is defined below) per annum (collectively, the "Bond Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of: (a) the greater of: (1) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%; and (2) the then applicable highest rate of interest on the Insured Bonds; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Agency covenants and agrees in the Indenture that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Pledged Tax Revenues and payable from such Pledged Tax Revenues on a parity with debt service due on the Insured Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the 2016 Insurer.

The 2016 Insurer shall, to the extent that it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2016 Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Agency to the 2016 Insurer under the Indenture shall survive the discharge or termination thereof.

The Agency shall pay or reimburse the 2016 Insurer any and all charges, fees, costs and expenses that the 2016 Insurer may reasonably pay or incur in connection with: (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture; (ii) the pursuit of any remedies under the Indenture or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Indenture whether or not executed or completed; or (iv) any litigation or other dispute in connection with the Indenture or the transactions contemplated by the Indenture, other than costs resulting from the failure of the 2016 Insurer to honor its obligations under the 2016 Insurance Policy. The 2016 Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in connection with the Indenture.

The 2016 Insurer shall be entitled to pay principal of or interest on the Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the 2016 Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the 2016 Insurer has received a Notice of Nonpayment (as such term is defined in the 2016 Insurance Policy) or a claim upon the 2016 Insurance Policy.



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## APPENDIX B

### FORMS OF BOND COUNSEL OPINIONS

*Upon issuance of the 2016 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinions in substantially the following forms:*

\_\_\_\_\_, 2016

Successor Agency to the Redevelopment Agency of the County of San Bernardino  
San Bernardino, California

*Re:   \$\_\_\_\_\_ Successor Agency to the Redevelopment Agency of the  
County of San Bernardino (San Sevine Redevelopment Project) Tax Allocation  
Bonds, 2016 Series A (Taxable)*

Dear Honorable Members of the Successor Agency:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Successor Agency to the Redevelopment Agency of the County of San Bernardino (the "Agency") taken in connection with the authorization and issuance of the Agency's Tax Allocation Bonds, 2016 Series A (Taxable), in the aggregate principal amount of \$\_\_\_\_\_ (the "2016A Bonds"), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the Agency, the Trustee, the Underwriter of the 2016A Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2016A Bonds have been issued by the Agency pursuant to the Constitution and laws of the State of California (the "State"), including Article 11 of Chapter 3 (Commencing with Section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State of California (as amended from time to time, the "Dissolution Act"), a resolution of the Agency adopted on October 20, 2015, a resolution adopted by the Oversight Board of the Agency adopted on October 21, 2015, and in accordance with a Second Supplemental Indenture of Trust, dated as of January 1, 2016 (the "Indenture"), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee. The Second Supplemental Indenture supplements and amends an Indenture dated as of December 1, 2005 (the "Original Indenture"), by and between the Trustee and the Redevelopment Agency of the County of San Bernardino (the "Former Agency") and a First Supplemental Indenture of Trust dated as of November 1, 2010 (the "First Supplemental Indenture") by and between the Trustee and the Former Agency. The Original Indenture, the First Supplemental Indenture and the Second Supplemental Indenture are collectively referred to herein as the "Indenture." All terms not defined herein shall have the meanings ascribed to those terms in the Indenture.

The 2016A Bonds are dated as of their date of delivery, and mature on the dates and bear interest at the rates per annum set forth in the Indenture. The 2016A Bonds are registered bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for in the Indenture.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

(1) The 2016A Bonds have been duly and validly authorized by the Agency and are legal, valid and binding special obligations of the Agency, secured and payable solely from Pledged Tax Revenues (as defined in the Indenture) and other sources as and to the extent provided for in the Indenture. The 2016A Bonds are special obligations of the Agency but are not a debt of the County of San Bernardino, the County of San Bernardino, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and none of the County of San Bernardino, the County of San Bernardino, the State of California, or any other of its political subdivisions, except the Agency, is liable for the payment thereof.

(2) The Indenture has been duly authorized by the Agency, is valid and binding upon the Agency, is enforceable in accordance with its terms and creates a valid pledge of that which the Indenture purports to pledge.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the 2016A Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

(4) Interest (and original issue discount) on the 2016A Bonds is exempt from personal income taxes imposed in the State of California.

(5) Except for certain exceptions, the difference between the issue price of a Series 2016A Bond (the first price at which a substantial amount of the 2016A Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Series 2016A Bond (to the extent that the stated redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Series 2016A Bond owner will increase the Series 2016A Bond owner's basis in the applicable Series 2016A Bond.

Except as expressly set forth in paragraphs (3), (4) and (5), we express no opinion regarding any tax consequences with respect to the 2016A Bonds. Potential purchasers should consult their independent tax advisors with respect to the tax consequences relating to the 2016A Bonds and the taxpayer's particular circumstances.

With respect to the opinions expressed herein, the rights and obligations under the Indenture are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the limitations on legal remedies against public agencies in the State of California and to limitations on rights of indemnity by principles of public policy.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2016A Bonds or other offering material relating to the 2016A Bonds and expressly disclaim any duty to advise the owners of the 2016A Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

\_\_\_\_\_, 2016

Successor Agency to the Redevelopment Agency of the County of San Bernardino  
San Bernardino, California

Re: \$\_\_\_\_\_ Successor Agency to the Redevelopment Agency of the  
County of San Bernardino (San Sevaire Redevelopment Project) Tax Allocation  
Bonds, 2016 Series B

Dear Honorable Members of the Successor Agency:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Successor Agency to the Redevelopment Agency of the County of San Bernardino (the "Agency") taken in connection with the authorization and issuance of the Agency's Tax Allocation Bonds, 2016 Series B in the aggregate principal amount of \$\_\_\_\_\_ (the "2016B Bonds"), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the Agency, the Trustee, the Underwriter of the 2016B Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2016B Bonds have been issued by the Agency pursuant to the Constitution and laws of the State of California (the "State"), including Article 11 of Chapter 3 (Commencing with Section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State of California (as amended from time to time, the "Dissolution Act"), a resolution of the Agency adopted on October 20, 2015, a resolution adopted by the Oversight Board of the Agency adopted on October 21, 2015, and in accordance with a Second Supplemental Indenture of Trust, dated as of January 1, 2016 (the "Indenture"), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee. The Second Supplemental Indenture supplements and amends an Indenture dated as of December 1, 2005 (the "Original Indenture"), by and between the Trustee and the Redevelopment Agency of the County of San Bernardino (the "Former Agency") and a First Supplemental Indenture of Trust dated as of November 1, 2010 (the "First Supplemental Indenture") by and between the Trustee and the Former Agency. The Original Indenture, the First Supplemental Indenture and the Second Supplemental Indenture are collectively referred to herein as the "Indenture." All terms not defined herein shall have the meanings ascribed to those terms in the Indenture.

The 2016B Bonds are dated as of their date of delivery, and mature on the dates and bear interest at the rates per annum set forth in the Indenture. The 2016B Bonds are registered bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The 2016B Bonds have been duly and validly authorized by the Agency and are legal, valid and binding special obligations of the Agency, secured and payable solely from Pledged Tax Revenues (as defined in the Indenture) and other sources as and to the extent provided for in the Indenture. The 2016B Bonds are special obligations of the Agency but are not a debt of the County of San Bernardino, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and none of the County of San Bernardino, the State of California, or any other of its political subdivisions, except the Agency, is liable for the payment thereof.

(2) The Indenture has been duly authorized by the Agency, is valid and binding upon the Agency, is enforceable in accordance with its terms and creates a valid pledge of that which the Indenture purports to pledge.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the 2016B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations, such interest (and original issue discount) may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

(4) Interest (and original issue discount) on the 2016B Bonds is exempt from State of California personal income tax.

(5) The difference between the issue price of a Series 2016B Bond (the first price at which a substantial amount of the 2016B Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2016B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2016B Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series 2016B Bond owner will increase the Series 2016B Bond owner's basis in the applicable Series 2016B Bond. Original issue discount that accrues for the Series 2016B Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph (3) above) and is exempt from State of California personal income tax.

(6) The amount by which a Series 2016B Bond owner's original basis for determining loss on sale or exchange in the applicable Series 2016B Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the bond owner's basis in the applicable Series 2016B Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series 2016B Bond owner realizing a taxable gain when a Series 2016B Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2016B Bond to the owner.

The opinions expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2016B

Bonds are subject to the condition that the Agency complies with all requirements of the Code that must be satisfied subsequent to the issuance of the 2016B Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2016B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016B Bonds. The Agency has covenanted to comply with all such requirements. Except as set forth in paragraphs (3), (4), (5) and (6) above, we express no opinion as to any tax consequences related to the 2016B Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture and the Tax Certificate executed by the Agency with respect to the 2016B Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax exempt obligations. We express no opinion as to the effect on exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on any 2016B Bonds if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

With respect to the opinions expressed herein, the rights and obligations under the Indenture are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the limitations on legal remedies against public agencies in the State of California and to limitations on rights of indemnity by principles of public policy.

The opinions expressed herein and the exclusion of interest on the 2016B Bonds from gross income for federal income tax purposes may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the Agency terminates upon the issuance of the 2016B Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2016B Bonds or other offering material relating to the 2016B Bonds and expressly disclaim any duty to advise the owners of the 2016B Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## **APPENDIX C**

### **BOOK-ENTRY ONLY SYSTEM**

The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2016 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2016 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2016 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2016 Bonds. The 2016 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 each maturity of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing Successor Agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. 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). The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on



the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 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 Bonds, except in the event that use of the book-entry system for the 2016 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 2016 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 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2016 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2016 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 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the 2016 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 Successor Agency 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, the Trustee, or the

Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the 2016 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency 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 2016 Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2016 Bonds are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the 2016 Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

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

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## APPENDIX D

### FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE

**\$28,340,000\***  
**SUCCESSOR AGENCY**  
**TO THE REDEVELOPMENT AGENCY OF**  
**THE COUNTY OF SAN BERNARDINO**  
**(SAN SEVAINE REDEVELOPMENT PROJECT)**  
**TAX ALLOCATION BONDS,**  
**2016 SERIES A (TAXABLE)**

**\$14,695,000\***  
**SUCCESSOR AGENCY**  
**TO THE REDEVELOPMENT AGENCY OF**  
**THE COUNTY OF SAN BERNARDINO**  
**(SAN SEVAINE REDEVELOPMENT PROJECT)**  
**TAX ALLOCATION BONDS,**  
**2016 SERIES B**

This CONTINUING DISCLOSURE CERTIFICATE (this “**Disclosure Certificate**”) is executed and delivered by the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE COUNTY OF SAN BERNARDINO (the “**Successor Agency**”) in connection with the execution and delivery of the bonds captioned above (collectively, the “**Bonds**”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2005, by and between the Successor Agency, as successor to the former Redevelopment Agency of the County of San Bernardino (the “**Former Agency**”), and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of November 1, 2010, by and between the Successor Agency, as successor to the Former Agency, and the Trustee, and as further amended and supplemented by a Second Supplemental Indenture of Trust, dated as of February 1, 2016, by and between the Successor Agency and the Trustee (as so amended and supplemented, the “**Indenture**”).

The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency 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 above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report of the Successor Agency provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the Successor Agency’s fiscal year (currently March 31 based on the Successor Agency’s fiscal year end of June 30).

“*County*” means the County of San Bernardino, California.

“*Dissemination Agent*” means, initially, the County or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Successor Agency in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2016, with the report for the 2014-15 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate **provided, however, that the first annual report due on March 31, 2016, shall consist solely of a copy of the Official Statement.** Not later than 15 Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Successor Agency to determine if the Successor Agency is in compliance with the previous sentence. 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 Certificate; provided that the audited financial statements of the Successor Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date; provided further that, in the event the Successor Agency's audited financial statements for any fiscal year are included as part of the annual report of the County for such fiscal year, the audited financials statements of the Successor Agency may be submitted together with such annual report of the County so long as such annual report includes the information required in Sections 3 and 4 of this Disclosure Certificate. If the Successor Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Successor Agency under the Indenture.

(b) If the Successor Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Successor Agency shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a report with the Successor Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The Successor Agency's audited financial statements 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 Successor Agency's audited financial statements are not available by the Annual Report Date, 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.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Principal amount of Bonds outstanding as of September 30 of the most recently-completed calendar year.

(ii) Balance in the 2016 Reserve Subaccount and a statement of the 2016 Reserve Amount as of September 30 of the most recently-completed calendar year.

(iii) Information of the type included in Tables 1 (for the then-current fiscal year), 2 (updated for the then-current fiscal year), 3 (for the then-current fiscal year), 4 (updated for the then-current fiscal year), 5 (for the then-current fiscal year), 6 (for the then-current fiscal year), 7 (updated for the most recently-completed fiscal year) and 8 (the annual update should include historical information for the most recently completed fiscal year only) of the Official Statement.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Successor Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 Successor Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

## Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Successor Agency obtains knowledge of the occurrence of a Listed Event, the Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB, in an electronic format

as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above 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 under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Successor Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the Successor Agency obtains knowledge of the occurrence of any of these Listed Events, the Successor Agency will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Successor Agency will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Successor Agency’s obligations under this Disclosure Certificate 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 Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the County. Any Dissemination Agent may resign by providing 30 days’ written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of 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 type of business conducted;

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner 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.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Successor Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Successor Agency 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 Certificate, the Successor Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Successor Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter 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 Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Successor Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bond holders or any other party. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter and the 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 Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2016

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE  
COUNTY OF SAN BERNARDINO**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

AGREED AND ACCEPTED:  
**COUNTY OF SAN BERNARDINO, CALIFORNIA,**  
AS DISSEMINATION AGENT

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT A

### NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Successor Agency to the Redevelopment Agency of the County of San Bernardino

Name of Issue: \$\_\_\_\_\_ Successor Agency to the Redevelopment Agency of the County of San Bernardino, (San Sevaine Redevelopment Project) Tax Allocation Bonds, 2016 Series A (Taxable), and \$\_\_\_\_\_ Successor Agency to the Redevelopment Agency of the County of San Bernardino, (San Sevaine Redevelopment Project) Tax Allocation Bonds, 2016 Series B

Date of Issuance: \_\_\_\_\_, 2016

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of December 1, 2005, by and between the Successor Agency, as successor to the former Redevelopment Agency of the County of San Bernardino (the "**Former Agency**"), and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), as amended and supplemented by a First Supplemental Indenture of Trust, dated as of November 1, 2010, by and between the Successor Agency, as successor to the Former Agency, and the Trustee, and as further amended and supplemented by a Second Supplemental Indenture of Trust, dated as of February 1, 2016, by and between the Successor Agency and the Trustee. The Successor Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

DISSEMINATION AGENT:

\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**APPENDIX E**

**SUCCESSOR AGENCY FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

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**SUCCESSOR AGENCY TO THE  
COUNTY OF SAN BERNARDINO  
REDEVELOPMENT AGENCY**

**Basic Financial Statements and  
Independent Auditor's Report**

**For the year ended June 30, 2015**

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Basic Financial Statements**

**Table of Contents**

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Statement of Fiduciary Net Position	3
Statement of Changes in Fiduciary Net Position	4
Notes to Financial Statements	5



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CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

#### DIRECTORS

Bradferd A. Welebir, CPA, MBA

#### MANAGERS / STAFF

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Seong-Hyea Lee, CPA, MBA  
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Yiann Fang, CPA  
Nathan Statham, CPA, MBA  
Brigitta Bartha, CPA  
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Juan Romero, CPA  
Ivan Gonzales, CPA, MSA  
Brianna Pascoe, CPA

#### MEMBERS

American Institute of  
Certified Public Accountants

PCPS The AICPA Alliance  
for CPA Firms

Governmental Audit  
Quality Center

California Society of  
Certified Public Accountants

## Independent Auditor's Report

To the Oversight Board  
Successor Agency to the County of  
San Bernardino Redevelopment Agency

### Report on the Financial Statements

We have audited the accompanying fiduciary fund financial statements of the Successor Agency to the County of San Bernardino Redevelopment Agency (Successor Agency), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary fund financial position of the Successor Agency as of June 30, 2015 and the changes in fiduciary fund financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Successor Agency and do not purport to, and do not present fairly the financial position of the County of San Bernardino, as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

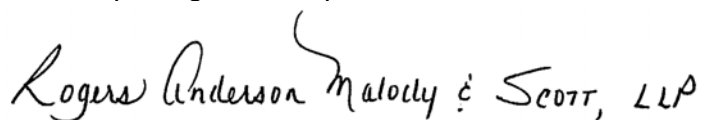
### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2015, on our consideration of the Successor Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control over financial reporting and compliance.



San Bernardino, California  
October 2, 2015

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Statement of Fiduciary Net Position  
June 30, 2015**

	<b>Private-purpose Trust Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,982,384
Interest receivable	3,745
Restricted assets:	
Cash and investments with fiscal agents	6,934,714
Land held for resale	<u>23,395,560</u>
Total assets	<u>38,316,403</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred amount on refunding of debt	<u>101,340</u>
<b>LIABILITIES</b>	
Accrued interest payable	1,735,477
Due to other governments	91,200
Noncurrent liabilities:	
Due within one year	1,724,082
Due in more than one year	<u>91,578,707</u>
Total liabilities	<u>95,129,466</u>
<b>NET POSITION</b>	
Net position held in trust (deficit)	<u>(56,711,723)</u>
Total net position	<u><u>\$ (56,711,723)</u></u>

*The accompanying notes are an integral part of these financial statements*

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Statement of Changes in Fiduciary Net Position  
For the year ended June 30, 2015**

	<b>Private-purpose Trust Fund</b>
<b>ADDITIONS</b>	
Property taxes	
Redevelopment Agency property tax trust fund	\$ 8,988,940
Other	397,729
Investment earnings	55,702
Other revenues	163,922
	<hr/>
Total additions	9,606,293
	<hr/>
<b>DEDUCTIONS</b>	
Administrative expenses	496,100
Interest on debt	5,222,165
Project costs of former Redevelopment Agency	424,699
Unspent bond proceeds to other governments	23,765,795
	<hr/>
Total deductions	29,908,759
	<hr/>
Change in net position	(20,302,466)
Net position held in trust (deficit), beginning	<hr/> (36,409,257)
Net position held in trust (deficit), ending	<hr/> <u>\$ (56,711,723)</u>

*The accompanying notes are an integral part of these financial statements*

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 1: Summary of Operations and Significant Accounting Policies**

**Reporting Entity**

On January 10, 2012, the County of San Bernardino Board of Supervisors adopted Resolution No. 2012-01, electing to become the Successor Agency (Successor Agency) to the former Redevelopment Agency of the County of San Bernardino (the Redevelopment Agency). Upon the dissolution of California redevelopment agencies on February 1, 2012, the Successor Agency is responsible for continuing to pay and meet the former Agency's enforceable obligations, overseeing completion of redevelopment projects, disposing of assets and properties of the former Redevelopment Agency, as directed and approved by the Oversight Board. The Oversight Board has fiduciary responsibility to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenue. The Oversight Board of the Successor Agency is comprised of seven members appointed by the:

- County Board of Supervisors (two members)
- County Superintendent of Education (one member)
- California Community College (one member)
- Former redevelopment agency employee (one member)
- Largest special district taxing entity (one member) and
- City territory within the former redevelopment area (one member)

County employees perform the necessary day-to-day activities of the Successor Agency to bring projects to completion, collect information and perform analysis regarding disposal of Redevelopment Agency assets, and provide administrative support to the Oversight Board.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accompanying financial statements present only the Successor Agency, a Private Purpose Trust Fund of the County of San Bernardino, and are not intended to present fairly the financial position or changes in financial position of the County in accordance with accounting principles generally accepted in the United States of America.

The Successor Agency serves as the custodian of the assets for the dissolved Redevelopment Agency. Based on the nature of this custodial role, the assets and liabilities of the dissolved Redevelopment Agency are reported as a fiduciary fund (private-purpose trust fund). The private-purpose trust fund financial statements consist of a statement of fiduciary net position (balance sheet) and a statement of changes in fiduciary net position (income statement).

Private purpose trust funds are accounted for using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (both current and noncurrent) are included on the statement of fiduciary net position. The statement of changes in fiduciary net position presents additions (revenues) and deductions (expenses) in total net position. Property tax allocations are recognized when they are due and when a formal commitment to provide the tax distribution has been made. Expenses are recognized when they are due or incurred.

When both restricted and unrestricted resources are available for use, it is the Successor Agency's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 1: Summary of Operations and Significant Accounting Policies (continued)**

**Annual Budget**

Pursuant to AB X1 26, the Successor Agency is required to adopt a Recognized Obligation Payments Schedule (ROPS), listing all enforceable obligations due and payable in the six-month coverage period. The ROPS is prepared semi-annually and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund. Management has determined that the ROPS will replace the Successor Agency's annual budget. The ROPS is presented and approved by the Successor Agency governing board and Oversight Board and subsequently approved by the State Department of Finance.

**Cash and Investments**

The Successor Agency's cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are considered to be cash and cash equivalents. The Successor Agency maintains substantially all of its cash in the San Bernardino County Treasury. The County's investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares, is readily convertible to cash, available for immediate withdrawal, and, therefore, is considered a cash equivalent for financial statement reporting purposes. In addition, the State authorizes the Successor Agency to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State treasurer's investment pool. Investments of the Successor Agency are reported at fair value based on quoted market prices.

**Capital Assets**

Capital assets, which include only equipment, are reported in the statement of fiduciary net position. The Successor Agency defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Successor Agency are depreciated using the straight-line method over the following estimated useful lives of the assets. The Successor Agency's capital assets are depreciated over 6-10 years.

**Land Held for Resale**

Land held for resale are being carried at the lower of cost or estimated net realizable value, until such time as there is an event, which would indicate an agreed-upon sales price. At June 30, 2015, the land held for resale is being carried at a cost of \$23,395,560.

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 1: Summary of Operations and Significant Accounting Policies (continued)**

**Restricted Assets**

Certain proceeds of the Successor Agency are classified as restricted assets on the statement of fiduciary net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

**Liabilities**

Liabilities reflect the Successor Agency's financial obligations as of June 30, including the repayment of tax allocation bonds issued by the former Redevelopment Agency. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt is reported net of any bond discounts or premiums.

**Property Taxes**

Property taxes are assessed under various legislative provisions, contained in the Government Code and the Revenue and Taxation Code, by the County Assessor. Taxes on real property are limited to one percent of assessed valuation plus additional taxes for repayment of any existing voted indebtedness. The Successor Agency receives a portion of the property tax income based on a formula prescribed in Section 26912(b) of the Government Code and Sections 95-100 of the California Revenue and Taxation Code and as amended by the passage of AB 454.

The Successor Agency's main source of funding is property taxes allocated by the County Auditor-Controller (CAC) from the Redevelopment Property Tax Trust Fund (RPTTF). The allocation of property taxes is related to the repayment of the former Redevelopment Agency's enforceable obligations. The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) estimating the RPTTF funds required to pay its obligations for each six-month period (January through June and July through December). The ROPS is subject to review and approval of the Oversight Board, CAC, and State Department of Finance (DOF).

The Successor Agency receives allocation of property taxes for its approved ROPS items after payment of the County's administrative costs and pass-through payments to affected taxing entities. In addition to the ROPS payments, the Successor Agency is allocated an annual administrative allowance equal to 3% of the approved RPTTF funding or the minimum amount of \$250,000, whichever is greater.

**Use of Estimates**

The preparation of these financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 2: Cash and Investments**

Cash and cash equivalents include the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the Successor Agency's account based upon the Successor Agency's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at fair value as of June 30, 2015.

Deposits and investments at June 30, 2015:

External Investment Pool – Cash in San Bernardino County Treasury	\$ 7,982,184
Cash on hand	<u>200</u>
	7,982,384

Restricted assets:

Investments held with fiscal agent – Bank of New York Mellon Trust Company, N.A.:	
Money Market funds invested in U.S. Treasuries	<u>6,934,714</u>
Total fair value of cash and investments	<u><u>\$ 14,917,098</u></u>

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40. The County pool is rated AAA by Fitch. The Successor Agency's investments in U.S. Treasuries Money Market funds through the Bank of New York Mellon Trust Company, N.A were generally rated AAA by Standard & Poor's.

**Note 3: Capital Assets**

At June 30, 2015, the capital assets held by the Successor Agency consisted of the following:

	Beginning balance	Additions	Deletions	Ending balance
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 16,355	\$ -	\$ -	\$ 16,355
Total capital assets, being depreciated	<u>16,355</u>	<u>-</u>	<u>-</u>	<u>16,355</u>
Less accumulated depreciation for:				
Equipment	(15,522)	(833)	-	(16,355)
Total accumulated depreciation	<u>(15,522)</u>	<u>(833)</u>	<u>-</u>	<u>(16,355)</u>
Total capital assets, being depreciated, net	<u><u>\$ 833</u></u>	<u><u>\$ (833)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Depreciation expense amounted to \$833 for the year ended June 30, 2015.

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 4: Transactions with the County of San Bernardino**

The Successor Agency has entered into several agreements with the County of San Bernardino to provide for virtually all services to the Successor Agency, including personnel and administrative services, cash flow management, risk management and project costs. Payment for these services is reflected in the statement of changes in fiduciary net position as administrative expenses. The Successor Agency also has notes payable due to the County as further discussed in note 5.

**Note 5: Long-Term Liabilities**

*Bonds Payable*

*A. 2005 Series A Refunding Tax Allocation Bonds*

In November 2005, the former Redevelopment Agency issued Redevelopment Agency of the County of San Bernardino (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2005 Series A (the 2005 Bonds) in the amount of \$58,275,000 to provide funds for the acquisition and construction of various projects in the San Sevaire Redevelopment Project Area and to advance refund the 2000 Bonds. The 2005 Bonds are special obligations of the former Redevelopment Agency and are payable solely from and secured by a pledge of tax increment revenues. Bond interest is payable semi-annually on each March 1 and September 1, commencing on March 1, 2006. The 2005 Bonds have stated interest rates ranging from 4.0% to 5.0% over the life of the bonds. The 2005 Bonds maturing after September 1, 2015, are not subject to optional redemption prior to maturity. The 2005 Bonds maturing after September 1, 2016, are subject to redemption, at the option of the Successor Agency.

The following schedule illustrates the annual debt service requirements to maturity for the 2005 Bonds outstanding as of June 30, 2015:

Fiscal years ending June 30,	Principal	Interest
2016	\$ 1,355,000	\$ 2,385,375
2017	1,425,000	2,315,875
2018	1,495,000	2,242,875
2019	1,565,000	2,166,375
2020	1,645,000	2,086,125
2021-2025	9,550,000	9,077,500
2026-2030	12,195,000	6,373,125
2031-2035	15,560,000	2,920,000
2036	3,595,000	89,875
Total	<u>\$ 48,385,000</u>	<u>\$ 29,657,125</u>



**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 5: Long-Term Liabilities (continued)**

*Bonds Payable (continued)*

*B. 2010 Series A Tax Allocation Bonds*

In November 2010, the former Redevelopment Agency issued Redevelopment Agency of the County of San Bernardino (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2010 Series A (Taxable) (the 2010 A Bonds) in the amount of \$16,945,000 to provide funds for the acquisition and construction of various projects in the San Sevaire Redevelopment Project Area and to replenish an account of the Agency's Low and Moderate Income Housing Fund. The 2010 A Bonds are special obligations of the former Redevelopment Agency and are payable solely from and secured by a pledge of tax increment revenues and Bond Tax Subsidy Payments. Bond interest is payable semi-annually on each March 1 and September 1, commencing on March 1, 2011. The 2010 A Bonds have stated interest rates ranging from 7.135% to 8.40% over the life of the bonds. The 2010 A Bonds maturing after September 1, 2020, are not subject to optional redemption prior to maturity. The 2010 A Bonds maturing after September 1, 2021, are subject to redemption, at the option of the Agency.

The following schedule illustrates the annual debt service requirements to maturity for the 2010 Series A Bonds outstanding as of June 30, 2015:

Fiscal years ending June 30,	Principal	Interest
2016	\$ 205,000	\$ 1,340,345
2017	220,000	1,325,183
2018	235,000	1,308,951
2019	250,000	1,291,649
2020	270,000	1,273,098
2021-2025	1,680,000	6,001,135
2026-2030	2,525,000	5,127,832
2031-2035	3,780,000	3,816,434
2036-2040	5,655,000	1,864,049
2041	1,430,000	60,059
Total	<u>\$ 16,250,000</u>	<u>\$ 23,408,735</u>

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 5: Long-Term Liabilities (continued)**

*Bonds Payable (continued)*

*C. 2010 Series B Tax Allocation Bonds*

In November 2010, the former Redevelopment Agency issued Redevelopment Agency of the County of San Bernardino (San Sevaire Redevelopment Project) Tax Allocation Bonds, 2010 Series B (Taxable Recovery Zone Economic Development Bonds) (the 2010 B Bonds) in the amount of \$13,605,000 to provide funds for the acquisition and construction of various projects in the San Sevaire Redevelopment Project Area and to fund a reserve account for the 2010 B Bonds. The 2010 B Bonds are special obligations of the former Redevelopment Agency and are payable solely from and secured by a pledge of tax increment revenues and Bond Tax Subsidy Payments. Bond interest is payable semi-annually on each March 1 and September 1, commencing on March 1, 2011. The 2010 B Bonds have a stated interest rate of 8.50% over the life of the bonds. The 2010 B Bonds are subject to mandatory sinking fund redemption as follows:

<u>September 1,</u>	<u>Amount</u>
2036	\$ 2,480,000
2037	2,595,000
2038	2,715,000
2039	2,840,000
2040	2,975,000

The following schedule illustrates the annual debt service requirements to maturity for the 2010 Series B Bonds outstanding as of June 30, 2015:

<u>Fiscal years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ 1,156,425
2017	-	1,156,425
2018	-	1,156,425
2019	-	1,156,425
2020	-	1,156,425
2021-2025	-	5,782,125
2026-2030	-	5,782,125
2031-2035	-	5,782,125
2036-2040	7,790,000	4,026,025
2041	5,815,000	126,437
Total	<u>\$ 13,605,000</u>	<u>\$ 27,280,962</u>

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 5: Long-Term Liabilities (continued)**

*Bonds Payable (continued)*

*D. Cedar Glen Series 2010 Tax Allocation Bonds*

In October 2010, the former Redevelopment Agency issued Redevelopment Agency of the County of San Bernardino Cedar Glen Disaster Recovery Project Area Tax Allocation Bonds, Series 2010 (the 2010 Bonds) in the amount of \$5,750,000 to provide funds for the acquisition and construction of various projects in the Cedar Glen Disaster Recovery Project Area and to fund a reserve account for the 2010 Bonds. The 2010 Bonds are special obligations of the former Redevelopment Agency and are payable solely from, and secured by, a pledge of tax increment revenues. Bond interest is payable semi-annually on each March 1 and September 1, commencing on March 1, 2011. The 2010 Bonds have stated interest rates ranging from 1.875% to 6.00% over the life of the bonds. The 2010 Bonds maturing after September 1, 2018, are not subject to optional redemption prior to maturity. The 2010 Bonds maturing after September 1, 2019 are subject to redemption at the option of the Agency.

The following schedule illustrates the annual debt service requirements to maturity for the 2010 Bonds outstanding as of June 30, 2015.

Fiscal years ending June 30,	Principal	Interest
2016	\$ 160,000	\$ 279,894
2017	170,000	273,700
2018	175,000	266,906
2019	180,000	259,581
2020	190,000	251,481
2021-2025	1,095,000	1,105,925
2026-2030	1,415,000	770,153
2031-2035	1,875,000	293,732
Total	<u>\$ 5,260,000</u>	<u>\$ 3,501,372</u>

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 5: Long-Term Liabilities (continued)**

*Notes Payable - County of San Bernardino*

The Agency entered into loan agreements with the County of San Bernardino for \$10,415,000. The loans bear interest at 1% over the County investment pool rate and were to be repaid over ten years. The loans were to be paid utilizing tax increment revenue from the project areas. The loans were made available for the Cedar Glen Disaster Recovery Redevelopment Area operating costs and project improvement costs of \$10,365,000 and Mission Boulevard Joint Redevelopment Project for administrative costs of \$50,000.

In the 2013 fiscal year, the Department of Finance indicated that the repayment of the debt was not an enforceable obligation and therefore, the Successor Agency removed the debt and associated accrued interest payable from its liabilities. In the 2014 fiscal year, the Department of Finance indicated the debt was an enforceable obligation, and therefore the Successor Agency has returned the debt and associated accrued interest payable to its liabilities. The accrued interest payable has been reduced from the original amount of \$2,358,726 to \$224,341 based on the provisions of the Health and Safety §34191.4 per the letter from the DOF dated May 16, 2014.

The loans are to be paid out in semi-annual installments in amounts not to exceed the sum determined pursuant to Health and Safety §34191.4(b)(2)(A). Payments are applied first to accrued interest and then to outstanding principal. If the amount of funds available to be distributed by the San Bernardino County Auditor-Controller from the Redevelopment Property Tax Trust Fund for any ROPS period is not sufficient to fully fund the other enforceable obligations on the ROPS, payments due on the Loans, and the administrative costs of the Successor Agency for that period, then the amount of the Loan payments due shall be reduced to the extent necessary to fully fund the other enforceable obligations and administrative costs.

Due to the uncertainty of the repayments, no repayment schedule is presented for the loans payable.

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 5: Long-Term Liabilities (continued)**

*A. Notes Payable - County of San Bernardino (continued)*

The Successor Agency is required to make scheduled payments and perform obligations with respect to the long-term liabilities of the former Redevelopment Agency of the County of San Bernardino. The following is a schedule of changes in long-term debt of the Successor Agency for the year ended June 30, 2015:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
<b>Bonds</b>					
2005 A Refunding TAB's	\$ 49,675,000	\$ -	\$ (1,290,000)	\$ 48,385,000	\$ 1,355,000
2010 A TAB's, Taxable	16,445,000	-	(195,000)	16,250,000	205,000
2010 B TAB's, Taxable	13,605,000	-	-	13,605,000	-
2010 TAB's Cedar Glen	5,410,000	-	(150,000)	5,260,000	160,000
Subtotal bonds	85,135,000	-	(1,635,000)	83,500,000	1,720,000
Original issue discount	(1,007,000)	-	38,232	(968,768)	(38,233)
Issuance premium	909,781	-	(42,315)	867,466	42,315
Total bonds	85,037,781	-	(1,639,083)	83,398,698	1,724,082
<b>Notes</b>					
County loans	10,415,000	-	(510,909)	9,904,091	-
Total long-term liabilities	<u>\$ 95,452,781</u>	<u>\$ -</u>	<u>\$ (2,149,992)</u>	<u>\$ 93,302,789</u>	<u>\$ 1,724,082</u>

Interest charged to expense in the statement of changes in fiduciary net position was \$5,222,165 for the year ended June 30, 2015.

**Note 6: Commitments and Contingencies**

In fiscal year 2013, the Successor Agency was holding \$9,365,000 which was part of a \$10,415,000 loan from County of San Bernardino as discussed in Note 5. The loan was obtained to help acquire and rebuild a decrepit water system, make road improvements, and assist homeowners with certain improvements in the Cedar Glen area of the County, which was devastated by the 2003 Old Fire. Of that amount, approximately \$7.8 million is related to water and road system improvements and approximately \$1.2 million is related to housing funds. The California DOF alleged that \$9,365,000 of the amount of the loan held by the Successor Agency should have been distributed to taxing entities, even though the funds were sourced from the County's General Fund monies and not property tax increment allocated to the former Redevelopment Agency.

**Successor Agency to the County of  
San Bernardino Redevelopment Agency  
Notes to Financial Statements  
June 30, 2015**

**Note 6:           Commitments and Contingencies (continued)**

The County and the Successor Agency have sued the DOF in order to maintain the funds and to be able to continue with necessary projects to repair the water and road system. The County and Successor Agency lost at the trial level and the matter will be taken up on appeal in the future. Due to the loss at trial level, the Successor Agency was on notice that it must either pay the demanded funds to the State of California or the DOF will direct the Auditor-Controller to reduce the amount of funds the Successor Agency would be entitled to receive from the property tax allocations it would normally receive. The Successor Agency considered the potential obligation to pay the \$9,365,000 as a contingent liability and recorded the liability in accordance with accounting principles generally accepted in the United States of America. Counsel to the Successor Agency is unable to predict the outcome of the appellate decision.

In prior fiscal year, the Successor Agency paid \$9,000,000 of the liability but is still litigating the DOF's decision regarding the \$9,000,000. The remaining \$365,000 was paid to affected taxing entities during prior year as well.

Some enforceable obligations of the Successor Agency represent agreements, contracts or other commitments for the expenditure of monies. They do not constitute as expense or liability for financial statement purposes because these commitments will be honored in subsequent years.

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## **APPENDIX F**

### **STATE DEPARTMENT OF FINANCE APPROVAL LETTER**



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**DEPARTMENT OF  
FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 24, 2015

Ms. Dena Fuentes, Director of Community Development and Housing  
County of San Bernardino  
385 North Arrowhead Avenue  
San Bernardino, CA 92415-0043

Dear Ms. Fuentes:

Subject: Oversight Board Action Review

The County of San Bernardino Successor Agency (Agency) notified the California Department of Finance (Finance) of its October 21, 2015 Oversight Board (OB) resolutions on October 22, 2015. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB actions.

Based on our review and application of the law, OB Resolution No. 2015-2009, approving the issuance and sale of Tax Allocation Refunding Bonds by the Agency and authorizing certain other actions in connection therewith, is partially approved.

The Agency desires to refund its Redevelopment Agency of the County of San Bernardino (San Sevine Redevelopment Project) Tax Allocation Bonds, 2005 Series A (2005 Bonds) to achieve debt service savings approximately \$4,492,000.

Finance's approval of this OB action is limited to the refunding of the 2005 Bonds. The resolution states the refunding bonds are being issued for the purpose of refunding part of or all of the existing obligations, but defines the "Existing Bonds" to include the 2005 Bonds, the 2010 Series A Bonds, and the 2010 Series B Bonds. Our approval is based on the confirmation from the Agency that the new bonds will refund the 2005 Bonds only. This approval is further conditioned on the understanding that no refunding bonds will be issued unless such bonds meet the limitations set forth in HSC section 34177.5 (a). Following the issuance of the bonds, the Agency's debt service payment obligations for the refunding bonds should be placed on a future Recognized Obligation Payment Schedule (ROPS) for Finance review and approval.

Additionally, Section 4.02 of the Supplemental Indenture states that the ROPS shall not be amended except by Supplemental Indenture. However, the approval of the OB action approving the refunding of the 2005 Bonds, should not be construed as approval of any limitation contained in any documents related to the refunding on Finance's authority to review and amend any requests made on any ROPS.

In the event the OB desires to amend the portion of the resolution not approved by Finance, Finance is returning it to the board for reconsideration. However, the Agency can move forward with the portion of the resolution approved by Finance.

Ms. Dena Fuentes  
December 24, 2015  
Page 2

Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Gary Hallen, Deputy Director of Community Development and Housing, San Bernardino County  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

## APPENDIX G

### SUPPLEMENTAL INFORMATION – COUNTY OF SAN BERNARDINO

*The following information is included only for the purpose of supplying general information regarding the County of San Bernardino (the “County”). This information is provided only for general informational purposes, and provides prospective investors limited information about the County and its economic base. The Bonds are not a debt of the County, the State of California (the “State”) or any of its political subdivisions, except the Successor Agency, and neither the County, the State nor any of its political subdivisions, except the Successor Agency, is liable therefor.*

#### General

The County is located in Southern California and was established by an act of the State Legislature on May 23, 1853, separating the County from the eastern part of the County of Los Angeles. The County encompasses an area of over 22,000 square miles, making it geographically the largest county in the nation, and includes twenty-four incorporated communities. The County is bordered on the west by the Counties of Los Angeles and Kern, on the north by the County of Inyo and on the south by County of Riverside.

#### Population

Population figures for the County and the State for the years 2006 through 2015 are shown in the following table.

#### SAN BERNARDINO COUNTY AND STATE OF CALIFORNIA POPULATION ESTIMATES

Year	County of San Bernardino	State of California
2006	1,959,715	36,116,202
2007	1,989,690	36,399,676
2008	2,009,594	36,704,375
2009	2,019,432	36,966,713
2010	2,035,210	37,253,956
2011	2,046,619	37,427,946
2012	2,059,694	37,668,804
2013	2,068,610	37,984,138
2014	2,084,151	38,357,121
2015	2,104,291	38,714,725

*Source: California State Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2010, with 2000 & 2010 Census Counts. Sacramento, California, November 2012; California State Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2015, with 2010 Census Benchmark. Sacramento, California, May 1, 2015.*

## Employment and Industry

The unemployment rate in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (“**MSA**”) was 6.8% in August 2015. This compares with an unadjusted unemployment rate of 6.1% percent for the State and 5.1% for the nation during the same period.

The following table summarizes the civilian labor force, employment and unemployment in the County for calendar years 2011 through August 2015.

### RIVERSIDE-SAN BERNARDINO-ONTARIO MSA CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT (ANNUAL AVERAGES)

	2011	2012	2013	2014	2015
Civilian Labor Force <sup>(1)</sup>	1,883,200	1,896,900	1,906,900	1,935,000	1,944,100
Employment	1,658,000	1,700,800	1,743,100	1,800,400	1,812,500
Unemployment	225,300	196,100	163,700	134,600	131,600
Unemployment Rate	12.0%	10.3%	8.6%	7.0%	6.8%
Wage and Salary Employment: <sup>(2)</sup>					
Agriculture	15,500	15,300	15,000	14,800	11,100
Natural Resources and Mining	1,100	1,200	1,200	1,200	1,200
Construction	58,700	65,200	73,500	75,800	84,300
Manufacturing	85,200	86,700	88,400	90,900	94,200
Wholesale Trade	49,500	54,100	58,000	61,100	62,900
Retail Trade	170,200	173,300	178,400	177,900	168,900
Trans., Warehousing, Utilities	71,200	78,800	85,800	96,700	92,600
Information	11,600	11,700	11,500	11,200	11,100
Finance and Insurance	25,300	26,700	26,500	26,900	27,700
Real Estate and Rental and Leasing	14,600	15,200	16,100	16,300	16,900
Professional and Business Services	127,000	126,200	134,200	145,100	150,600
Educational and Health Services	161,500	177,200	190,400	196,600	196,100
Leisure and Hospitality	127,500	133,100	141,700	149,900	149,500
Other Services	39,400	39,700	41,700	42,700	43,400
Federal Government	20,800	20,600	20,200	20,200	20,600
State Government	28,900	28,100	28,200	28,900	27,200
Local Government	177,100	178,300	179,100	183,100	177,300
Total, All Industries <sup>(3)</sup>	1,185,100	1,231,400	1,289,900	1,339,300	1,335,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The following table lists the major manufacturing and non-manufacturing employers in the County.

### COUNTY OF SAN BERNARDINO MAJOR EMPLOYERS, LISTED ALPHABETICALLY

Employer Name	Location	Industry
Arrowhead Regional Medical Ctr	Colton	Hospitals
Beaver Medical Clinic Inc	Redlands	Physicians & Surgeons
Big Bear Mountain Resorts	Big Bear Lake	Resorts
BNSF Railway Co	San Bernardino	Railroads
California State-San Brnrdn	San Bernardino	Schools-Universities & Colleges Academic
Colton Joint Unified Sch Dist	Colton	Schools
Community Hospital-Sn Brnrdn	San Bernardino	Hospitals
Desert Valley Hospital	Victorville	Hospitals
Environmental Systems Research	Redlands	Geographics Information Systems
Fedex Ground	Bloomington	Delivery Service
Kaiser Permanente Fontana Med	Fontana	Hospitals
Loma Linda Univ Children's Hsp	Loma Linda	Hospitals
Loma Linda University Med Ctr	Loma Linda	Hospitals
Mountain High Ski Resort	Wrightwood	Skiing Centers & Resorts
NAVAL Air Warfare Ctr	Ridgecrest	Military Bases
Ontario International AIRPORT	Ontario	Airports
San Antonio Community Hospital	Upland	Hospitals
San Bernardino Cnty Schl Supt	San Bernardino	Schools
San Bernardino County	San Bernardino	County Government-General Offices
San Manuel Indian Bingo/Casino	Highland	Casinos
Snow Summit Mountain Resort	Big Bear Lake	Resorts
US Department of the Navy	Ridgecrest	Business Services NEC
Va Medical Ctr-Loma Linda	Loma Linda	Hospitals
YRC Freight	Bloomington	Trucking-Motor Freight

Source: State of California Employment Development Department; America's Labor Market Information System (ALMIS) Employer Database, 2016 1<sup>st</sup> Edition.

## Effective Buying Income

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

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2010 through 2014.

### COUNTY OF SAN BERNARDINO EFFECTIVE BUYING INCOME 2010 THROUGH 2014

Year	Area	Total Effective Buying Income (000s' Omitted)	Median Household Effective Buying Income
2010	San Bernardino County	\$32,115,644	\$43,018
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	San Bernardino County	\$32,969,928	\$42,818
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	San Bernardino County	\$34,251,993	\$43,741
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	San Bernardino County	\$33,477,908	\$43,034
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	San Bernardino County	\$33,866,800	\$43,919
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: The Nielsen Company (US), Inc.

## Commercial Activity

During the first and second quarters of calendar year 2014, total taxable transactions in the County were reported to be \$15,852,982,000, a 5.84% increase over the total taxable transactions of \$14,977,732,000 that were reported in the County during the first and second quarters of calendar year 2013. A summary of historic taxable sales within the County during the past five years is shown in the following table. Annual figures are not yet available for calendar year 2014.

### COUNTY OF SAN BERNARDINO TAXABLE TRANSACTIONS (FIGURES IN THOUSANDS)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	31,676	\$16,330,138	45,062	\$23,652,433
2010	34,068	17,308,880	47,562	24,687,862
2011	34,140	18,736,053	47,791	27,322,980
2012	35,095	19,980,937	48,936	29,531,921
2013	32,986	21,173,875	46,632	31,177,823

Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax).



## Construction Activity

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

**COUNTY OF SAN BERNARDINO  
BUILDING PERMIT VALUATIONS  
CALENDAR YEARS 2010 THROUGH 2014  
(DOLLARS IN THOUSANDS)**

	2010	2011	2012	2013	2014
<b><u>Permit Valuation</u></b>					
New Single-family	\$233,404.1	\$232,698.4	\$283,202.7	\$450,790.1	\$490,036.4
New Multi-family	61,080.8	49,011.4	135,503.3	157,932.1	137,909.2
Res. Alterations/Additions	<u>62,731.0</u>	<u>26,296.4</u>	<u>61,998.1</u>	<u>57,443.7</u>	<u>80,525.4</u>
<b>Total Residential</b>	<b>\$357,215.9</b>	<b>\$308,006.2</b>	<b>\$480,704.1</b>	<b>\$666,165.9</b>	<b>\$708,470.9</b>
New Commercial	\$39,380.8	\$19,091.5	\$201,220.8	\$202,969.6	\$240,662.5
New Industrial	21,853.6	34,364.4	152,047.5	335,338.5	265,851.8
New Other	62,614.4	1,673.8	5,095.8	44,334.1	221,124.3
Com. Alterations/Additions	<u>129,150.1</u>	<u>19,875.6</u>	<u>219,113.4</u>	<u>192,784.8</u>	<u>230,628.1</u>
<b>Total Nonresidential</b>	<b>\$252,998.9</b>	<b>\$75,005.3</b>	<b>\$577,477.5</b>	<b>\$775,427.0</b>	<b>\$958,267.0</b>
<b><u>New Dwelling Units</u></b>					
Single Family	1,198	1,075	1,214	1,874	1,937
Multiple Family	<u>649</u>	<u>409</u>	<u>596</u>	<u>1,439</u>	<u>1,266</u>
<b>Total</b>	<b>1,847</b>	<b>1,484</b>	<b>1,810</b>	<b>3,313</b>	<b>3,203</b>

*Source: Construction Industry Research Board, Building Permit Summary.*

**APPENDIX H**  
**FISCAL CONSULTANT'S REPORT**

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**SUCCESSOR AGENCY  
TO THE  
REDEVELOPMENT AGENCY OF THE COUNTY OF SAN BERNARDINO  
  
SAN SEVAINE REDEVELOPMENT PROJECT  
  
PROJECTED TAXABLE VALUES AND  
ANTICIPATED TAX INCREMENT REVENUES**

**January 13, 2016**

**I. Introduction**

The Successor Agency to the Redevelopment Agency of the County of San Bernardino Tax Allocation Refunding Bonds, Series 2016A (Taxable) and the Tax Allocation Refunding Bonds, Series 2016B (collectively, the “Bonds”) are being issued by the Successor Agency to the Redevelopment Agency of the County of San Bernardino (the “Successor Agency”) pursuant to the provisions of section 34177.5 of the California Health and Safety Code and section 53580 et seq. of the California Government Code, a resolution adopted by the Successor Agency and an indenture of trust, dated as of January 1, 2016, by and between the Successor Agency and BNY Mellon, as trustee, to (a) prepay certain outstanding bonds entered into by the former Redevelopment Agency of the County of San Bernardino (the “Former Agency”) , the proceeds of which were used to finance and refinance redevelopment activities within and for the benefit of the San Sevaire Redevelopment Project and its added areas (the “Redevelopment Project”) (b) fund a debt service reserve fund for the Bonds, and (c) provide for the costs of issuing the Bonds.

The Bonds are special obligations of the Successor Agency and debt service on the Bonds is payable from the pledged Tax Revenues and amounts held in the Redevelopment Obligations Retirement Fund (the “RORF”) and the Special Fund, and the Successor Agency is not obligated to pay them except from the Tax Revenues and amounts held in the Special Fund and the Redemption Fund. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Tax Revenues and amounts held in the RORF and the Special Fund, and such amounts constitute a trust fund for the security and payment of the interest on and the principal of the Bonds. The Bonds are not a debt of the County of San Bernardino (the “County”), the State of California or any of its political subdivisions (other than the Successor Agency), and neither said County, said State nor any of its political subdivisions (other than the Successor Agency) is liable therefor, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Successor Agency.

On June 29, 2011, the California Legislature and Governor enacted Assembly Bill x1 26 (ABx1 26), which generally dissolved redevelopment agencies statewide as of February 1, 2012. The bill was challenged by a suit filed before the California Supreme Court, but was upheld by the Court on December 29, 2012. On June 27, 2012 Assembly Bill 1484 (AB 1484) was signed into law, modifying and supplementing ABx1 26. In accordance with Section 34177.5(g) of the

California Health and Safety Code, the Successor Agency bonds shall be considered indebtedness incurred by the dissolved redevelopment agency, with the same legal effect as if the bonds, indebtedness, financing agreement, or amended enforceable obligation had been issued, incurred, or entered into prior to June 29, 2011, in full conformity with the applicable provisions of the California Community Redevelopment Law (being Part 1 of Division 24 of the Health and Safety Code and is being referred to herein as the "Law") that existed prior to that date, shall be included in the successor agency's Recognized Obligation Payment Schedule (the "ROPS"), and shall be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (the "RPTTF").

The Law provided for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The Law, together with Article 16, Section 16 of the California Constitution, authorized redevelopment agencies to receive that portion of property tax revenue generated by project area taxable values that are in excess of the Base Year value. The base year value is defined as the amount of the taxable values within the project area boundaries on the last equalized tax roll prior to adoption of the project area. The amount of current year taxable value that is in excess of the base year value is referred to as incremental taxable value. For purposes of this report tax revenues generated from the incremental taxable value are generally referred to as gross tax increment revenues. The Law provided that the gross tax increment revenues may be pledged by the redevelopment agency to the repayment of agency indebtedness.

The Tax Revenues pledged as security for the payment of debt service on the Bonds are generated only in the Redevelopment Project.

The RPTTF Revenues pledged as security for the payment of debt service on the Bonds are generated in the Redevelopment Project and the Cedar Glen Project Area (together, the "Project Areas").

A description of the Cedar Glen Project Area is not included in this report because in fiscal Year 2015-16, Tax Revenues (which are generated only in the Redevelopment Project) are expected to provide sufficient debt service coverage on the Bonds. The Successor Agency believes that the additional debt service coverage provided by the property tax revenues from the Cedar Glen Project Area portion of the RPTTF Revenues is not material to owners of the Bonds.

In this report, Gross Tax Increment Revenues with the addition of Unitary Tax Revenue (see Section IV, Allocation of State Assessed Unitary Taxes) are referred to as Gross Tax Revenues. Pledged Tax Revenues are defined as Gross Tax Revenues less the SB 2557 County Administrative fees and collection charges (see Section IV, County Collection Charges). Net Tax Revenues are defined as Pledged Tax Revenues less statutory tax sharing payments and other obligations that have a lien on Tax Revenues that is subordinate to the lien on Pledged Tax Revenues of debt service on the Bonds (see Section VII, Statutory Tax Sharing).

The purpose of this fiscal consultant report (the "Report") is to examine the assessed values of the current fiscal year and project for nine fiscal years the amount of tax increment revenues anticipated to be received by the Successor Agency from the Redevelopment Project. The Law

and the limits within the redevelopment plans determine the amount of Project Area Gross Tax Revenues. The amount of the Pledged Tax Revenues available for the payment of debt service on the Bonds is also affected by prior obligations undertaken by the Successor Agency. Based on our research, we project that the Pledged Tax Revenues that will be pledged to the payment of debt service on the Bonds will be as shown in Table A below.

<b>Table A</b> <b>Projected Pledged Tax Revenues and Housing Set-Aside Revenues</b> (000's omitted)				
<b>Fiscal Year</b>	<b>Incremental Value</b>	<b>Gross Tax Revenues</b>	<b>SB 2557 Admin Fee</b>	<b>Pledged Tax Revenues</b>
2015-16	\$1,425,582	\$14,382	\$(149)	<b>\$14,233</b>
2016-17	1,415,630	14,282	(148)	<b>14,134</b>
2017-18	1,442,801	14,555	(151)	<b>14,404</b>
2018-19	1,470,515	14,833	(154)	<b>14,679</b>
2019-20	1,498,784	15,117	(157)	<b>14,960</b>
2020-21	1,527,618	15,406	(160)	<b>15,246</b>
2021-22	1,557,029	15,701	(163)	<b>15,538</b>
2022-23	1,587,028	16,002	(166)	<b>15,836</b>
2023-24	1,617,627	16,310	(170)	<b>16,140</b>
2024-25	1,648,838	16,623	(173)	<b>16,450</b>

The taxable values of property and the resulting Tax Revenues for each component area of the Redevelopment Project summarized above are reflected on Tables 1 and 2 of the projections (attached). These projections are based on assumptions determined by our review of the taxable value history of the component project areas and the property tax assessment and property tax apportionment procedures of County. The projection illustrates the entire amount of Tax Revenues projected as being available from each component area of the Redevelopment Project. It is assumed that all of the available Pledged Tax Revenues are available to pay the Bonds. Future year assessed values and Pledged Tax Revenues are projections based upon the assumptions described in this Report, and are not guaranteed as to accuracy. This Report is not to be construed as a representation of such by HdL Coren & Cone.

## **II. San Sevaire Redevelopment Project**

### **A. Redevelopment Plan General Descriptions**

The County Board of Supervisors established the San Sevaire Redevelopment Project Area through the adoption of Ordinance No. 3631 on December 19, 1995. The San Sevaire Redevelopment Project Area encompasses approximately 2,835 acres. The Redevelopment Project is located between the cities of Rancho Cucamonga and Fontana, north of the I-10 freeway near the Cherry Avenue exit. The Redevelopment Project has an irregular boundary generally following Etiwanda Avenue on the west, the San Bernardino Freeway and Fontana city limits on the south, Redwood Avenue on the east, and a line roughly following Whittram Avenue on the north. The Redevelopment Project boundaries were confined to land within

unincorporated territory and were generally drawn to exclude residential neighborhoods or clusters of residential uses.

On November 2, 2004, the Former Agency adopted the Amended and Restated Redevelopment Plan (Amended Plan). The Amended Plan added to the Original Area approximately 1,156 acres and consists of five non-contiguous areas that adjoin the Original Area boundaries at various locations. Sub Area A consists of commercial, industrial and residential properties that abut the northern boundary lines of the Original Area. Adjacent to the eastern boundary line of the Original Area is a group of residential and industrial properties that make up Sub Area B. Sub Areas C-1 and C-2 are comprised of two groups of residential and industrial properties along Banana Avenue located near the southeast corner of the Original Area. Sub Area D is located south of the southern boundary of the Original Area and consist primarily industrial uses. The Agency began receiving tax increment revenues generated from the Amendment No. 1 Area beginning in Fiscal Year 2005-06.

The Former Agency removed the property south of Interstate 10 from the Amendment No. 1 Area in November 2005. The removal of these properties from the Amendment No. 1 will allow compliance with County policy that generally prohibits the County from conducting a redevelopment program in areas that are anticipated to be annexed into a city. Since the City of Fontana had expressed a desire to annex some areas south of Interstate 10, the County removed these areas from the Redevelopment Project. The City of Fontana has since completed the annexation process. The Former Agency adopted Amendment No. 2 to the Amended Plan on November 1, 2005 and the tax revenues associated with the removal of these properties were reflected beginning in Fiscal Year 2006-07.

## **B. Land Use**

Table B represents the breakdown of land use in the Redevelopment Project by the number of parcels and by assessed value for fiscal year 2015-16. Table C represents the breakdown of vacant land in the Redevelopment Project by the number of parcels and by assessed value for fiscal year 2015-16. Unsecured and SBE non-unitary values are connected with parcels that are already accounted for in other categories. It should be noted that the figures below include the net taxable value for all parcels. This information is based on County land use designations as provided by the County.

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<b>Table B</b> <b>Land Use Summary</b> <b>Fiscal Year 2015-16</b>						
Category	Original Area			Amendment No. 1 Area		
	Parcel Count	2015-16 AV	%	Parcel Count	2015-16 AV	%
Residential	30	\$ 5,162,583	0.3%	309	\$ 56,150,974	30.4%
Commercial	44	47,340,872	2.7%	33	16,750,078	9.1%
Industrial	210	1,371,413,735	77.9%	59	68,933,480	37.3%
Dry Farm	0	0	0.0%	1	1,509,713	0.8%
Institutional	0	0	0.0%	1	728,850	0.4%
Miscellaneous	9	11,679,700	0.7%	2	759,533	0.4%
Recreational	1	73,329,048	4.2%	0	0	0.0%
Vacant land	70	41,346,614	2.3%	85	17,841,030	9.6%
Exempt	63	0	0.0%	62	0	0.0%
<b>Subtotal</b>	<b>427</b>	<b>\$1,550,272,552</b>	<b>88.1%</b>	<b>552</b>	<b>\$162,673,658</b>	<b>87.9%</b>
SBE Nonunitary		\$ 1,603,006	0.1%		\$ 0	0.0%
Unsecured		208,258,490	11.8%		22,309,951	12.1%
<b>Subtotal</b>		<b>\$ 209,861,496</b>	<b>11.9%</b>		<b>\$ 22,309,951</b>	<b>12.1%</b>
<b>Total</b>	<b>427</b>	<b>\$1,760,134,048</b>	<b>100.0%</b>	<b>552</b>	<b>\$184,983,609</b>	<b>100.0%</b>

Category	Redevelopment Project		
	Parcel Count	2015-16 AV	%
Residential	339	\$ 61,313,557	3.2%
Commercial	77	64,090,950	3.3%
Industrial	269	1,440,347,215	74.0%
Dry Farm	1	1,509,713	0.1%
Institutional	1	728,850	0.0%
Miscellaneous	11	12,439,233	0.6%
Recreational	1	73,329,048	3.8%
Vacant land	155	59,187,644	3.0%
Exempt	125	0	0.0%
<b>Subtotal</b>	<b>979</b>	<b>\$1,712,946,210</b>	<b>88.0%</b>
SBE Nonunitary		\$ 1,603,006	0.1%
Unsecured		230,568,441	11.9%
<b>Subtotal</b>		<b>\$ 232,171,447</b>	<b>12.0%</b>
<b>Total</b>	<b>979</b>	<b>\$1,945,117,657</b>	<b>100.0%</b>

Source: San Bernardino County Assessor 2015-16 Combined Tax Rolls

The vacant parcels within the Redevelopment Project total 395.39 acres according to Assessor's maps and other County records. The following Table C breaks down the vacant parcels for each of the component project areas.



<b>Table C</b>		
<b>Vacant Land Summary</b>		
	No. Vacant Parcels	Acres
Original Area	70	310.46
Amendment No. 1 Area	85	84.93
<b>Totals</b>	<b>155</b>	<b>395.39</b>

### **C. Redevelopment Plan Limits**

In accordance with the Law, redevelopment plans adopted after October 1, 1976 but prior to January 1, 1994 were required to include a time limit on the establishment of indebtedness to be repaid with tax increment and a limit on the amount of tax increment revenue that may be divided and allocated to a project area. In addition, if the plan authorized the issuance of tax allocation bonds, a limit on the amount of bonded indebtedness that may be outstanding at one time was to be included. For those redevelopment plans adopted prior to October 1, 1976 that did not contain these limits, the legislative body was required to amend the redevelopment plans by ordinance not later than December 31, 1986. The amendment must include provisions to limit the number of tax increment dollars that could be allocated to the agency pursuant to the plan, to establish a time limit to create debt to be repaid with tax increment, and to limit the commencement of eminent domain.

Chapter 942, Statutes of 1993, established further limits on redevelopment plans. Chapter 942 restricted the life span of redevelopment plans adopted prior to 1994. The time limit for establishing indebtedness was limited to 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever was later. The life of the existing redevelopment plans was limited to 40 years from the date of adoption or January 1, 2009, whichever was later. Finally, a redevelopment agency was restricted from paying indebtedness with tax increment beyond 10 years after its redevelopment plan expires except to fund deferred Housing Set Aside requirements and to repay indebtedness incurred prior to January 1, 1994.

Pursuant to Senate Bill 1045 (see Section VI) the Agency has extend the terms of redevelopment plan effectiveness of each component area of the Project Area. The Project Area was extended under the auspices of SB 1045 and the County Board of Supervisors adopted Ordinance No. 961 on May 4, 2004. These extensions increase the redevelopment plan's period of effectiveness and the period within which the component areas of the Project Area may repay indebtedness by one year.

Pursuant to Senate Bill 1096 (see Section VI) the Former Agency was permitted, as described below, to extend the term of the redevelopment plans' effectiveness and the periods within which the Former Agency may repay indebtedness by up to two additional years. A one year extension of the time limits for Project Areas meeting certain criteria was predicated upon the payment by the Former Agency of its ERAF obligations for each of 2005 and 2006. The ERAF obligations for 2005 and for 2006 were paid according to the Successor Agency. For Project Areas that had less than 10 years of plan effectiveness remaining after June 30, 2005 a one year extension was authorized. For Project Areas that had more than 10 years and less than 20 years of plan

effectiveness remaining after June 30, 2005 a one year extension was authorized if the County Board of Supervisors could make certain findings. For those project areas with more than 20 years of plan effectiveness remaining after June 30, 2005 no extension of time is authorized. In addition, for project areas that have less than 10 years of plan effectiveness remaining after June 30, 2006 a one year extension is authorized. For project areas that have more than 10 years and less than 20 years of plan effectiveness remaining after June 30, 2006 a one year extension is authorized if the County Board of Supervisors can make certain findings. For those project areas with more than 20 years of plan effectiveness remaining after June 30, 2006 no extension of time was authorized.

On September 22, 2015, the Governor signed Senate Bill 107 ("SB 107"). This legislation implemented a number of revisions to the Health and Safety Code as it impacts the time and tax increment limits of former redevelopment project areas. The legislation eliminated the effectiveness of tax increment limits, limits on redevelopment activities and time limits on repayment of indebtedness except for all but contractual agreements that had been structured to terminate based on a project area reaching its tax increment and/or time limits. Pursuant to SB 107, Tax Revenues will continue to be allocated from the Redevelopment Project until such time as all authorized enforceable obligations, including the Bonds, have been repaid.

### **III. Redevelopment Project Assessed Values**

#### **A. Assessed Values**

Taxable values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties that are part of each Project Area. The assessments are assigned to Tax Rate Areas (TRA) that are coterminous with the boundaries of the Redevelopment Project. The historic reported taxable values for each component project areas were reviewed in order to ascertain the rate of taxable property valuation growth over the most recent ten fiscal years beginning with 2006-07. Between 2006-07 and 2015-16 the taxable value within the Redevelopment Project increased by \$502,164,321 (34.80%) in the aggregate, although such growth was not experienced uniformly among both of the component project areas. This represents an average annual growth of 3.5% despite reductions in value that occurred in fiscal years 2010-11, 2011-12 and 2012-13. Growth in 2014-15 and 2015-16 has recovered approximately 149.1% of the value lost in those three years.

Assessed values increased by more than 5% for 2014-15 and 2015-16. Within the Redevelopment Project, from 2013-14 to 2014-15, values rose by a combined \$97.8 million (5.60%). Secured values increased by \$63.4 million (4.08%) and unsecured values increased by \$34.4 million (18.41%). From 2014-15 to 2015-16, values rose by a combined \$105.3 million (5.73%). 2015-16 secured values increased by \$96.3 million (5.95%) and unsecured values increased by \$9 million (4.08%). Growth by component project area is shown in Table D below. The largest increase was among industrial properties that grew by \$549.2 million (62.67%) in taxable value with the second largest source of growth being among unsecured assessments.

The component project areas have all grown substantially since 2006-07. Each of the component project areas experienced some amount of value loss during the period of 2010-11 through 2012-13. The table below shows the taxable values for each of the component project areas, the Redevelopment Project and the percentage by which these values have increased above the prior year values.

<b>Table D</b> <b>Taxable Value History and Percentage Growth from Prior Year</b> <b>By Component Project Area</b>			
	<u>Original Area</u>	<u>Amendment No. 1 Area</u>	<u>Redevelopment Project</u>
<b>2006-07</b>	\$1,304,929,870	\$138,023,466	\$1,442,953,336
	\$1,447,242,783	\$138,664,754	\$1,585,907,537
<b>2007-08</b>	16.08%	0.46%	9.91%
	\$1,688,770,987	\$178,075,139	\$1,866,846,126
<b>2008-09</b>	23.51%	28.42%	17.71%
	\$1,694,464,322	\$181,714,740	\$1,876,179,062
<b>2009-10</b>	0.45%	2.04%	0.50%
	\$1,652,254,766	\$168,682,976	\$1,820,937,742
<b>2010-11</b>	(3.31%)	(7.17%)	(2.94%)
	\$1,654,107,052	\$163,829,671	\$1,817,936,723
<b>2011-12</b>	0.15%	(2.88%)	(0.16%)
	\$1,574,863,505	\$160,984,149	\$1,735,847,654
<b>2012-13</b>	(6.42%)	(1.74%)	(4.52%)
	\$1,575,421,470	\$166,418,900	\$1,741,840,370
<b>2013-14</b>	0.05%	3.38%	0.35%
	\$1,669,965,617	\$169,773,626	\$1,839,739,243
<b>2014-15</b>	8.18%	2.02%	5.62%
	\$1,760,134,048	\$184,983,609	\$1,945,117,657
<b>2015-16</b>	7.21%	8.96%	5.73%

The detailed history of assessed values for each of the component project areas from 2006-07 to 2015-16 is illustrated on Table 3 (attached) for each component project areas tax increment projection.

## **B. Top Ten Taxable Property Owners**

A review of the top ten taxable property owners in the Redevelopment Project for Fiscal Year 2015-16 was conducted.

Within the Redevelopment Project, the aggregate total taxable value for the ten largest taxpayers totaled \$1,225,756,976. This amount is 85.98% of the \$1,425,581,748 Redevelopment Project incremental value. All of the ten largest taxpayers are located within the Original Area of the Redevelopment Project. The top taxpayer in the Redevelopment Project is California Steel Industries Inc. that controls eleven parcels with a combined total of \$540,316,973 in secured

assessed value. This amount is 37.90% of the Redevelopment Project incremental value. The second largest taxpayer is Prologis-A3 California I LP that controls 16 parcels with a combined secured assessed valuation of \$189,670,360. This taxpayer's valuation is 13.30% of the Redevelopment Project total incremental value. Including entities that are believed to be affiliates of Prologis, this owner is responsible for more than 18.64% of total assessed value and 25.44% of the Redevelopment Project incremental value. Table E below illustrates the percentage of incremental value for the top ten taxpayers in the Redevelopment Project and their relative importance to the incremental value of the Redevelopment Project. The composition of value and the number of parcels attributed to each owner is found in Table 5 of the Redevelopment Project projection.

**Table E**  
**Redevelopment Project Top Ten Taxpayers**  
**As of August 31, 2015**

<b>Property Owner</b>	<b>Combined Value</b>	<b>% of Project Area Value</b>	<b>% of Project Area Incremental Value</b>	<b>Property Use</b>
California Steel Industries Inc.	\$ 540,316,973	27.78%	37.90%	Industrial
Prologis-A3 California I LP <sup>(1)(3)</sup>	\$ 189,670,360	9.75%	13.30%	Industrial
PACAB LLC <sup>(1)(3)</sup>	\$ 119,133,518	6.12%	8.36%	Industrial
California Speedway Corporation <sup>(2)</sup>	95,031,196	4.89%	6.67%	Recreational
Campbell Hawaii Investor LLC <sup>(1)</sup>	\$ 57,210,236	2.94%	4.01%	Industrial
Trader Joe's Company <sup>(1)(2)</sup>	\$ 55,154,028	2.84%	3.87%	Industrial
Palmtree Acquisition Corporation <sup>(1)(3)</sup>	\$ 53,833,251	2.77%	3.78%	Industrial
Teachers Insurance and Annuity Association <sup>(1)</sup>	\$ 42,265,000	2.17%	2.96%	Industrial
9774 Calabash LLC	\$ 42,160,824	2.17%	2.96%	Industrial
Watson Land Company	\$ 30,981,587	1.59%	2.17%	Industrial
<b>Top Property Owner Total Value</b>	<b>\$1,225,756,976</b>			
<b>Project Area Assessed Value</b>	<b>\$1,945,117,657</b>	<b>63.02%</b>		
<b>Project Area Incremental Value</b>	<b>\$1,425,581,748</b>		<b>85.98%</b>	

<sup>(1)</sup> This taxpayer has a pending assessment appeal on parcels owned (see Section IV F).

<sup>(2)</sup> Includes Unsecured Values (see Table 5 – Redevelopment Project).

<sup>(3)</sup> Based on publicly available information, the Successor Agency believes such entities are affiliated entities of ProLogis, Inc. Such affiliated entities are responsible for 18.64% of the 2015-16 Redevelopment Project Assessed Value and 25.44% of the Redevelopment Project Incremental Value.

**D. California Steel Industries Inc.**

California Steel Industries Inc. (CSI) is the single largest assessee in the Project Area, with a facility consisting of approximately 450 acres. CSI operates a steel product manufacturing facility. Due to the nature of the business and the type of equipment utilized in the operation of the CSI plant, the valuation of the properties is administered by the Special Properties Division of the County Assessor. The assessed value of the CSI plant is determined annually by a method which begins with the cost of each of the fixtures as reported by CSI to the County Assessor. This figure is then adjusted by a factor to determine the cost in today's dollars, and is then depreciated by a factor applicable to the useful life of the particular fixture to determine the assessed value of the CSI facility, limited by Proposition 13 to an amount not to exceed 2% over the previous year's assessed value. Assessed valuation growth of the CSI Plant reflects CSI's continued investment in its facilities to maintain, modernize and add operations.

The Table F shows a ten year assessed valuation history for the CSI Plant.

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**Table F**  
**California Steel Industries Inc.**  
**Assessed Valuation**  
**For Fiscal Year 2006-07 through 2015-16**

	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Land	\$ 25,993,706	\$ 26,513,579	\$ 28,342,471	\$ 28,909,319	\$ 28,840,804	\$ 29,057,977	\$ 29,639,137	\$ 30,231,921	\$ 30,369,174	\$ 30,975,951
Improvement	62,179,827	63,309,060	70,572,347	65,085,269	63,908,303	64,698,730	66,313,437	64,725,612	63,473,548	64,373,432
Fixtures	263,978,355	264,024,209	255,727,512	176,075,484	185,053,024	220,318,622	234,364,826	241,164,666	320,170,886	354,490,763
Personal Property	<u>26,055,814</u>	<u>34,990,418</u>	<u>48,247,936</u>	<u>51,843,596</u>	<u>52,067,297</u>	<u>50,769,802</u>	<u>54,040,631</u>	<u>55,262,994</u>	<u>69,877,874</u>	<u>90,476,827</u>
Total (1)	\$378,207,702	\$388,837,266	\$402,890,266	\$321,913,668	\$329,869,426	\$364,845,131	\$384,358,031	\$391,385,193	\$483,891,482	\$540,316,973
Personal Property Adjustment (2)	<u>(1,353,744)</u>	<u>1,405,760</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Adjusted Total</b>	<b>\$376,853,958</b>	<b>\$390,243,026</b>	<b>\$402,890,266</b>	<b>\$321,913,668</b>	<b>\$329,869,428</b>	<b>\$364,845,131</b>	<b>\$384,358,031</b>	<b>\$391,385,193</b>	<b>\$483,891,482</b>	<b>\$540,316,973</b>
 % Inc/(Dec)		3.55%	3.24%	(20.10%)	2.47%	10.60%	5.35%	1.83%	23.64%	11.66%

(1) San Bernardino County Assessor Lien Date Roll

(2) Personal property values added as a result of an audit conducted by San Bernardino County Assessor Special Properties Division.

The County Assessor audits the reported value by CSI on a 4 to 5 year cycle. On October 13, 2015, the County Assessor commenced an audit for tax years 2012 through 2015. The County Assessor anticipates the audit to be completed in the first quarter of 2016.

CSI has not filed any appeals on their property values since 2004-05.

#### **IV. Tax Allocation and Disbursement**

##### **A. Property Taxes**

The taxable values of property are established each year on the January 1 property tax lien date. Real property values reflect the reported assessed values for secured and unsecured land and improvements. The base year value of a parcel is the value established as the full market value upon a parcel's sale, improvement or other reassessment. Article XIII A of the California Constitution (Proposition 13) provides that a parcel's base year value is established when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a parcel's base year value is first enrolled, the parcel's real property value is factored annually for inflation. The term base year value does not, in this instance, refer to the base year value of the Redevelopment Project. Pursuant to Article XIII A, Section 2(b) of the State Constitution and California Revenue and Taxation Code Section 51, the percentage increase in the parcel's real property value cannot exceed 2% of the prior year's value.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate. Utility property assessed by the State Board of Equalization (the "Board") may be revalued annually and such assessments are not subject to the inflation limitations established by Proposition 13. The taxable value of Personal Property, including commercial and privately owned aircraft, is also established on the lien dates but is not subject to the annual 2% inflationary growth limit of that applies to locally assessed real property.

Each year the Board announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. Through 2010-11 there were six occasions when the inflation factor has been less than 2%. Until 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels, however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was a -0.237% and this resulted in reductions to the adjusted base year value of parcels. The changes in the California Consumer Price Index ("CCPI") from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. Table G below reflects the inflation adjustment factors for the current fiscal year and eleven prior fiscal years.

**Table G**  
**Historical Inflation Adjustment Factors**

<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2004-05	1.867%
2005-06	2.000%
2006-07	2.000%
2007-08	2.000%
2008-09	2.000%
2009-10	2.000%
2010-11	-0.237%
2011-12	0.753%
2012-13	2.000%
2013-14	2.000%
2014-15	0.454%
2015-16	1.998%
2016-17	1.525%

On December 4, 2015, the Board determined that the inflationary adjustment for 2016-17 would be 1.525%. For purposes of the projection we have assumed that the inflation adjustment factor for fiscal years beyond 2016-17 will be 2.00%. This assumption is based on the fact that the inflation adjustment factor has been at the maximum allowed amount of 2.00% in 32 of the 41 years since the adoption of Proposition 13. We believe that assuming the resumption of a 2.00% inflation adjustment factor is justified by historical experience.

## **B. Supplemental Assessments**

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property.

Since 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Assessment Revenues by taxing entities typically follows the change of ownership by a year or more. We have **not** included revenues resulting from Supplemental Assessments in the projections.

## **C. Tax Rates**

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable value and the over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition 13.



A Constitutional amendment approved in June 1983 allows the levy of over-ride tax rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from over-ride tax rates levied for repayment of indebtedness approved by the voters after December 31, 1988. Tax rates that were levied to support any debt approved by voters after December 31, 1988 were not allocated to redevelopment agencies. The over-ride tax rates typically decline each year as a result of (1) increasing property values (which would reduce the over-ride rate that must be levied to meet debt service) and (2) the eventual retirement of debt over time.

Section 34183(a)(1) of the Law as amended by AB1x 26 requires the Auditor Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. This has been interpreted by the County to include none of the revenues resulting from all over-ride tax rates that were previously being allocated to redevelopment agencies based on their determination that these tax rates are not being levied for repayment of indebtedness for acquisition or improvement of real property. As a result, the tax increment revenues being deposited into the RPTTF include all revenues derived from the general levy tax rate and all revenues derived from over-ride tax rates that had been included in tax increment revenues prior to the dissolution of redevelopment agencies.

The Redevelopment Project contains a total of 20 Tax Rate Areas (TRAs), only 15 of which contain taxable values. A Tax Rate Area is a geographic area within which the taxes on all property are levied by a certain set of taxing entities. These taxing entities each receive a prorated share of the general levy and those taxing entities with voter approved over-ride tax rates receive the revenue resulting from that over-ride tax rate. The tax increment projections are based on the published tax rates for 2014-15. Within the various TRAs there is one applicable tax rate. The tax rates contain only the debt service over-ride rates that have been levied by the Metropolitan Water District. Because this over-ride tax rate was approved by voters prior to January 1, 1989 the revenue derived from them within Redevelopment Project TRA's are paid to the Successor Agency. Due to the nature of the 2014-15 tax rate it is expected that the currently levied over-ride tax rates will remain the same through fiscal year 2034-35. Beginning in fiscal year 2035-36 the override tax rate for the Metropolitan Water District will no longer be levied. School Districts within the Redevelopment Project levy over-ride tax rates that were approved by voters after January 1, 1989. Revenue from these tax rates are paid directly to the districts by the Auditor-Controller and have no effect on the revenues of the Agency.

SB 107 was recently approved and it has amended a number of the provisions of AB1x 26 and AB 1484. With regard to debt service override tax rates, the revenue generated from these tax rates will no longer be allocated to successor agencies unless these revenues have been pledged to the payment of debt service on bonds. Any debt service override tax rate revenues that have been pledged to debt service but are not needed to make the debt service payments on the bonds will be allocated directly to the entities that have levied the override tax rate. This change will not impact the debt service coverage on the Bonds but will allow the Metropolitan Water District to receive any such revenues from its override tax rate that are not needed to make the debt service payments on the Bonds. Table H illustrates the tax rate that is applicable to the TRAs within the Project Area.

**Table H**  
**Redevelopment Project Tax Rate for 2015-16**

General Levy	\$1.0000
Metropolitan Water District	0.0035
<b>RDA Tax Rate per \$100 of Taxable Value</b>	<b>\$1.0035</b>

#### **D. Allocation of Taxes**

Taxes on secured property values paid by property owners are due in two equal installments on November 1 and on February 1 and become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. Prior to dissolution of redevelopment agencies, the County disbursed secured tax increment revenue to all redevelopment agencies from November through July with approximately 45 percent of secured revenues apportioned by the end of December and a total of 98% of the secured revenues by the end of the following May. Unsecured revenues are disbursed from September through June of each fiscal year with approximately 85% of the unsecured revenues being apportioned in September. The San Bernardino County Auditor-Controller apportions tax increment revenue based on collections and does not utilize the alternative allocation method known as the Teeter Plan. The apportionment schedule described above and the apportionment of tax increment revenue based on collections was in use by San Bernardino County for many years prior to redevelopment dissolution and continues to be the pattern of tax increment revenue allocation.

As of February 1, 2012, the apportionment of tax increment revenue was dictated by the legislation adopted as ABx1 26 (See Legislation, Section VI). Revenue is now apportioned to Successor Agencies on January 2 and June 1 of each fiscal year. All tax increment revenue is accumulated by the County Auditor-Controller in the RPTTF for allocation on these two dates. The tax increment revenue available for allocation on January 2 consists of revenues collected after June 1 of the previous fiscal year and for collections in November and December of the current fiscal year. The tax increment revenues available for allocation on June 1 include revenues collected from January 1 to June 1 of the current fiscal year.

From the amounts accumulated in the RPTTF for each allocation date, the County Auditor-Controller is to deduct its own County administrative charges and is to calculate and deduct amounts owed, if any, to taxing entities for tax sharing agreements entered into pursuant to Section 33401 of the Law and for statutory tax sharing obligations required by Sections 33607.5 and 33607.7 of the Law. The amount remaining after these reductions, if any, is what is available for payment by the Successor Agency of debt obligations of the former redevelopment agency.

Prior to receiving revenues on January 2 and June 1, the Successor Agency must adopt a Recognized Obligation Payment Schedule (ROPS) that lists the debt obligations of the former redevelopment agency that must be paid during the upcoming six month periods of January 1 through June 30 and July 1 through December 31. There is a provision in the legislation for a Successor Agency to request additional amounts in one ROPS payment to allow it to make payments that may be beyond the revenues available in the upcoming allocation cycle. The ROPS must be submitted at least 90 days prior to each RPTTF allocation date and

approved by the Successor Agency's Oversight Board that is established in the legislation with membership consisting of representatives from various taxing entities. The ROPS must also receive approval from the State Department of Finance (the "DOF"). Filing ROPS statements is mandated by statute and penalties are incurred if they are filed late or if they are not filed at all. As the result of the recent adoption of SB 107, beginning with the ROPS submittal for the June 1, 2016 RPTTF allocation, a single ROPS will be approved for a full year of RPTTF allocations. The ROPS approved for the June 1, 2016 RPTTF allocation will also include the payment obligations for the January 2, 2017 RPTTF allocation. There is provision in the law for the approved ROPS to be amended one time after its initial approval but only to revise a payment amount to be made during the second RPTTF allocation (January 1 through June 30) and only with Oversight Board approval.

The Successor Agency is entitled to receive an amount to cover the administrative costs of winding down the business of the former redevelopment agency. This amount is set by AB1x 26 at the greater of \$250,000 per year or a maximum of 3% of the amount allocated from the RPTTF. AB 1484 added language that allowed the Oversight Board to reduce the amount of the minimum administrative allowance. To the extent that revenues are insufficient to pay all of the approved ROPS obligations, the Successor Agency's administrative allowance will be reduced or eliminated. Successor Agency administrative allowance amounts that have been approved but cannot be paid due to a lack of RPTTF revenue will be carried over to the next RPTTF allocation for payment as funds become available.

As a result of passage of SB 107, commencing July 1, 2016 the administrative cost allowance will be 3% of the actual property taxes allocated to the Successor Agency in the preceding fiscal year less the Successor Agency's administrative cost allowance and City loan repayment amounts. If, however, 3% of the actual property taxes allocated in the preceding fiscal year is greater than 50% of the total RPTTF amounts distributed to pay enforceable obligations as reduced by the administrative allowance and City loan repayment amounts, then the administrative cost allowance shall not exceed 50% of the total RPTTF amounts distributed to pay enforceable obligations as reduced by the administrative allowance and City Loan repayment amounts.

If there are RPTTF amounts remaining after reductions for County administrative charges, amounts owed, if any, to taxing entities for tax sharing agreements entered into pursuant to Section 33401 of the Law, enforceable obligations and Successor Agency administrative allowance, these remainder amounts are referred to as Residual Revenue. Residual Revenue for each allocation cycle is proportionately allocated to the taxing entities and to the Educational Revenue and Augmentation Fund (ERAF). The legislation stipulates that the combination of tax sharing payments and Residual Revenue payments to tax entities may not exceed that taxing entity's full share of tax increment revenue. In circumstances where a taxing entity receives all or most of its share of tax increment revenue as a result of its tax sharing agreement, that taxing entity's share of the Residual Revenue distribution may be reduced and the portions of Residual Revenue allocated to the other taxing entities will be proportionately increased. (See Section VII – Tax Sharing Agreements and Other Obligations, below).

The forms and procedures used by a successor agency to submit its ROPS to its Oversight Board and to the DOF are dictated by the legislation as interpreted by DOF.

### E. Annual Tax Receipts to Tax Levy

The San Bernardino County Auditor-Controller apportions tax revenues to the RPTTF based upon the amount of the tax levy that is received from the taxpayers. Secured collection rates for the Project Area have been consistently high. Table I illustrates the final tax revenue collections for the previous five fiscal years.

<b>Table I Collection Rates</b>						
<b>Fiscal Year</b>	<b>Adjusted Tax Levy</b>	<b>Current Year Apportioned</b>	<b>Current Year Collection %</b>	<b>Prior Year Collections<sup>(1)</sup></b>	<b>Total Apportioned</b>	<b>Total Collection %</b>
2010-11	\$13,104,652	\$11,616,645	88.65%	\$(86,817)	\$11,529,828	87.98%
2011-12	13,107,658	11,644,113	88.83%	249,014	11,893,127	90.73%
2012-13	12,114,771	11,095,887	91.59%	260,149	11,356,036	93.74%
2013-14	12,325,664	11,496,734	93.27%	568,569	12,065,303	97.89%
2014-15	13,326,435	13,315,932	99.92%	143,654	13,459,586	101.00%

<sup>(1)</sup> Prior Year Collections include Supplemental Revenue, reductions for taxpayer refunds and revenue from prior years.

Source: San Bernardino County Auditor-Controller's Office, Property Tax Division "Agency Receivables Report for Tax Charge Year".

### F. Assessment Appeals

Assessment appeals data from San Bernardino County and through October 1, 2015 has been reviewed to determine the potential impact that pending appeals may have on the projected Tax Revenues. We have determined that there are 33 pending appeals on 21 parcels within the Redevelopment Project. In order to estimate the potential reduction in assessed value that may occur as a result of these pending appeals, we have reviewed the historical averages for the number of appeals allowed and the amount of assessed value removed. We have then applied those averages to the currently pending appeals and estimated the number of pending appeals that may be allowed and the amount of assessed value that may be removed as a result of these pending appeals.

Five of the Redevelopment Project's top ten taxpayers have pending appeals of their assessed value. These taxpayers are Prologis-A3 California I LP, PACAB LLC, Campbell Hawaii Investor LLC, Trader Joe's Company and Teachers Insurance and Annuity Association. A number of top taxpayers in each of the component project areas have assessment appeals pending.

The table below summarizes the projected loss of assessed value will result from the assessment appeals that are currently pending within the component project areas.

**Table J**  
**Assessment Appeals Summary By Component Project Area**  
**2010 through 2015**

Project Areas	Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. & Value of Appeals Pending	Est. No. of Appeals Allowed	Est. Reduction on Pending Appeals Allowed (2016-17 Value Adjustment)
Original Area	103	78	40	27.34%	13 (\$283,243,498)	7	\$39,710,774
Amendment No. 1 Area	23	15	13	12.80%	8 (\$ 17,586,804)	7	\$ 1,950,975
<b>Redevelopment Project</b>	<b>126</b>	<b>93</b>	<b>53</b>		<b>21 (\$300,830,302)</b>	<b>14</b>	<b>\$41,661,749</b>

As mentioned above, a number of the top taxpayers in the Redevelopment Project have pending assessment appeals. The table below reflects those currently pending assessment appeals in each of the component project area.

**Table K**  
**Pending Assessment Appeals Among Redevelopment Project Top Taxpayers**

Taxpayer	FY of Appeal	No. of Parcels Under Appeal	2015-16 Value Under Appeal	Owner Opinion of Value	Potential Max. Value Reduction
Prologis-A3 California I LP	2012-13	1	\$4,836,465	\$2,100,000	\$2,736,465
	2013-14	1	4,836,465	2,100,000	2,736,465
	2014-15	3	67,518,329	56,300,000	11,218,329
	2015-16	1	61,723,364	30,257,000	31,466,364
PACAB LLC	2012-13	1	49,503,139	39,500,000	10,003,139
	2014-15	1	49,503,139	40,000,000	9,503,139
Campbell Hawaii	2013-14	1	57,210,236	27,918,000	29,292,236
Investor LLC	2014-15	1	57,210,236	28,045,000	29,165,236
Trader Joe's Company	2014-15	1	41,962,472	20,998,000	20,964,472
Teachers Insurance and Annuity Association	2014-15	1	42,265,000	29,100,000	13,165,000

Source: San Bernardino County Clerk of the Board

## G. County Collection Charges

Chapter 466 (SB 2557) allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. The County collection charges for 2014-15 were 0.789% of Gross Revenue within the Redevelopment Project. For purposes of the projections, the SB 2557 charges for 2015-16 and subsequent years are estimated at 0.789% of Gross Revenue. For the purposes of these projections, we have assumed that the County will continue to charge the Successor Agency for property tax administration and that such charge will increase proportionally with any increases in revenue. In addition to the reimbursement allowed under SB 2557, the County levies a .25% collection charge for managing the property tax allocation process. This charge is calculated on the amount of gross property tax revenue allocated to the Successor Agency. This collection charge has been projected and

included within calculation of Tax Revenue. The reimbursement amount is uniform among the component project areas.

## H. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization, other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Commencing in 1988-89, tax revenues derived from unitary property and assessed by the SBE are accumulated in a single Tax Rate Area for the County. It is then distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to two percent; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenue above two percent would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area, therefore, the base year of project areas have been reduced by the amount of utility value that existed originally in the base year. The Auditor Controller allocated an aggregate total of \$76,638 of unitary tax revenue to the component project areas of the Redevelopment Project for 2014-15. For purposes of the projections we estimate that this same amount of unitary tax revenue will be allocated for each fiscal year of the projection. The unitary tax revenue amounts that were allocated for 2014-15 is listed by component project area in Table L below.

Table L Unitary Revenue Allocated	
Project Area	Unitary Revenue
Project Area I	\$73,711
Project Area III	<u>2,927</u>
<b>Redevelopment Project Unitary</b>	<b>\$76,638</b>

## V. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law required redevelopment agencies to set aside not less than 20 percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the "Housing Set-Aside Requirement"). Sections 33334.3, 33334.6 and 33334.7 of the Law extend this requirement to redevelopment projects adopted prior to January 1, 1977. With the adoption of AB1x 26, the Housing Set-Aside Requirement was eliminated. The housing fund into which these set-aside amounts were formerly deposited has been eliminated and any unencumbered amounts remaining in that fund have been identified through a mandated Due Diligence Review. The amounts found to be unencumbered through this Due Diligence Review have been paid to the County and these funds have been allocated to the taxing entities within the former project areas.

Since AB1x 26 eliminated the Housing Set-Aside Requirement and the Successor Agency has no obligations that will be payable from the Housing Set-Aside after the issuance of the Bonds, the former Housing Set-Aside is available to pay debt service on the Bonds. The projections assume the availability of the former Housing Set-Aside for this purpose.

## **VI. Legislation**

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and Earthquake Recovery-95 fiscal years into a countywide ERAF. The Former Agency could have used any funds legally available and not legally obligated for other uses, including agency reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the "Housing Fund") to satisfy this obligation. From 1995-96 to 2001-02, state budgets were adopted with no additional shifting of tax increment revenues from redevelopment agencies, however, the 2002-03 State Budget required a shift of \$75 million of tax increment revenues statewide from redevelopment agencies to ERAF to meet the state budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor and based upon the methodology provided in the 2002-03 budget, the shift requirement for the former redevelopment agencies to make payments into the ERAF was limited to fiscal year 2002-03 only.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute \$135 million to local County ERAF which reduced the amount of State funding for schools. This transfer of funds was limited to fiscal year 2003-04 only. Under the Law as amended by SB 1045, the redevelopment agencies were authorized to use a simplified methodology to amend the individual redevelopment plans to extend by one year the effectiveness of the plan and the time during which the agencies could repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years were to be deducted from the cumulative tax increment amounts applied to a project area's cumulative tax increment revenue limit.

After the State's budget for 2004-05 was approved by the legislature and signed by the Governor, Senate Bill 1096 was adopted. Pursuant to SB 1096, redevelopment agencies within the State were required to pay a total of \$250 million to ERAF for fiscal year 2004-05 and for 2005-06. The payments were due on May 10 of each fiscal year. As in previous years, payments were permitted to be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it was allowed to borrow up to 50% of the current year Housing Set-Aside Requirement, however, the borrowed amount was required to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). Under SB 1096, redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, could be extended by one year for each year that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans may be extended by one year for each year that an ERAF payment is made if the city council could find that the former redevelopment agency was in compliance with specified state housing requirements. These requirements are: 1) that the agency is setting aside 20% of gross tax increment revenues; 2) that housing implementation plans are in place; 3) that replacement housing and inclusionary housing requirements are being met; and, 4) that no excess surplus exists. The former redevelopment agency did not borrow from the Housing Fund as authorized in order to make the required payments for ERAF. As outlined below, the method by which ERAF loans from the

Housing Fund may be repaid has been modified by the adoption of AB 1484. The requirement for repayment of these loans by certain dates has been eliminated.

In July, 2009, the Legislature adopted AB 26 4x as a means of implementing a package of 30 bills that were adopted in order to close the State's budget deficit. Under this legislation the former redevelopment agencies statewide were required to pay into their county's "Supplemental" ERAF (the "SERAF"), \$1.7 billion in fiscal year 2009-10 and were required to pay another \$350 million in fiscal year 2010-11. Based on a State Controller formula, the former redevelopment agencies were required to pay the required amounts by May, 2010 and May, 2011 respectively.

Under this legislation, the former redevelopment agencies could use any available funds to make the SERAF payments. If Housing Set-Aside Requirement or Housing Fund amounts were borrowed to make the SERAF payment, the borrowed amounts were required to be repaid to the Housing Fund by June 30, 2015 and June 30, 2016 respectively. Under the requirements of Section 34191.4 amended by AB 1484, however, redevelopment agencies that borrowed from the Housing Fund to make the required SERAF payments for 2010 and for 2011 may only repay the borrowed amounts from annual amounts that are 50% of the increase in annual Residual Revenues that are above the Residual Revenue for fiscal year 2012-13. Repayment amounts are, under current legislation, to be repaid to the Successor Housing Agency established pursuant to AB 1x 26 and AB 1484 (see below). Repayment of SERAF payment amounts borrowed from the Housing Fund may only be repaid from growth in Residual Revenue. The former agency did borrow from the Housing Fund in order to make the required payments.

AB 1x 26 and AB 1x 27 were introduced in May 2011 as placeholder bills and were substantially amended on June 14, 2011. These bills proposed to dramatically modify the Law as part of the fiscal year 2011-12 State budget legislation. AB 1x 26 would dissolve redevelopment agencies statewide effective October 1, 2011 and suspend all redevelopment activities as of its effective date. AB 1x 27 would allow redevelopment agencies to avoid dissolution by opting into a voluntary program requiring them to make substantial annual contributions to local school and special districts. The bills were signed by the Governor in late June, 2011 and were challenged by a suit filed before the California Supreme Court by the CRA. On December 29, 2011, the Supreme Court ruled that AB 1x 27 was unconstitutional and that AB 1x 26 was not unconstitutional. On June 27, 2012 the legislature passed and the Governor signed Assembly Bill 1484. This legislation made certain revisions to the language of AB 1x 26 based on experience after its implementation.

Once the obligations of the former redevelopment agencies have been recognized as Enforceable Obligations, the Successor Agency is obliged to manage the repayment of those Enforceable Obligations through the semiannual adoption of ROPS by the Oversight Board that is made up of representatives of taxing entities within the former redevelopment agency. Membership of the Oversight Board is dictated by Section 34179 of the Law. Beginning on July 1, 2018, there will be a single Oversight Board in each county that will be responsible for adoption of ROPS for all successor agencies in the county. The ROPS establishes the amounts that may be paid by the Successor Agency on the former redevelopment agency's debts during the six month periods following payments to the Successor Agency from the RPTTF by the County Auditor-Controller on January 2 and June 1 of each year. As the result of the recent adoption of SB 107, beginning with the ROPS submittal for the June 1, 2016 RPTTF allocation, a single ROPS will be approved for a full year of RPTTF allocations. The ROPS approved for the June 1, 2016 RPTTF allocation will also include the



payment obligations for the January 2, 2017 RPTTF allocation. There is provision in the law for the approved ROPS to be amended one time after its initial approval but only to revise a payment amount to be made during the second RPTTF allocation (January 1 through June 30) and only with Oversight Board approval.

Among the changes to the dissolution statutes that were included in SB 107, solely for the purposes of the payment of enforceable obligations, including the Bonds was the affirmative elimination of the effectiveness of time and tax increment limits from the redevelopment plans of the former project areas. However, Section 34189(a) now provides that the elimination of these limits will not result in the restoration or continuation of funding for projects whose contractual terms specified that project funding would cease once the limitations in the redevelopment plans had been reached. Section 34189(a) is not material to the Bonds.

Numerous lawsuits have been filed on various aspects of AB 1x 26 and AB 1484 which could impact the dissolution of redevelopment agencies. Our projections could be impacted as a result of future court decisions.

## **VII. Statutory Tax Sharing Payments**

As required by the Law as modified by AB 1x 26 and AB 1484, the County Auditor-Controller is responsible for administering all pass through payment calculations and payments. AB 1484 further requires that the calculation of pass through amounts be done as it was done prior to January 1, 2011. This means that where the payments are based on revenue reduced for the former 20% Housing Set-Aside Requirement, this reduction is to continue despite the fact that the Housing Set-Aside is no longer required. The pass through payment obligations that are required within the Redevelopment Project are described below.

### **AB 1290 Statutory Tax Sharing Payments**

The Redevelopment Project is subject to the terms of Chapter 942. As a result, stipulated tax sharing payments to all taxing entities are required. The Chapter 942 pass through occurs in three tiers. The first tier pass through of 25% of total tax increment revenue net of housing set aside is required for the life of the Redevelopment Project. Beginning in year eleven (2006-07 in the Original Area and 2015-16 in the Amendment No. 1 Area) of the project's life and using the assessed value of the project area in year ten as an adjusted base year for calculation of the second tier of incremental value, 21% of second tier tax increment revenue net of housing set aside is passed through to the taxing entities in addition to the initial pass through amount. Beginning in year 31 (2026-27 in the Original Area and 2035-36 in the Amendment No. 1 Area) of the project's life the third tier of incremental value, 14% of third tier tax increment revenue net of housing set aside is passed through to the taxing entities in addition to the pass through amounts required in earlier years.

The County may elect to receive its share of the first tier of tax sharing only.

## **VIII. Development Activities and Transfer of Ownership**

Since January 1, 2015 within the Redevelopment Project, there have been 21 transfers of real property ownership where the sales price can be confirmed. These transfers of ownership represent a combined

increase of \$6.8 million in assessed value that is expected to be added to the tax rolls for 2016-17. The addition of new value due to transfers of ownership is distributed between the two component project areas of the Redevelopment Project as shown below.

Table L Value Added to Projection from Transfers of Ownership After 1/1/2015		
Project Area	# Transfers	Added Value To the 2016-17 Rolls
Original Area	4	\$ 6,115,428
Amendment No. 1 Area	<u>17</u>	<u>5,360,118</u>
<b>Redevelopment Project</b>	<b>21</b>	<b>\$11,475,546</b>

New development continues to occur within the Redevelopment Project but no additional value has been included in the projections for new construction.

## IX. Trended Taxable Value Growth

In accordance with Proposition 13, growth in real property land and improvement values may reflect the year-to-year inflationary rate not to exceed 2% for any given year. A 2% growth rate is the maximum inflationary growth rate permitted by law and this rate of growth has been realized in all but nine years since 1981. The years in which less than two percent growth was realized included fiscal years 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%), 1999-00 (1.85%), 2004-05 (1.867%), 2010-11 (-0.237%), 2011-12 (0.753%), 2014-15 (0.454%) and 2015-16 (1.998%). On December 4, 2015, the Board determined that the inflationary adjustment for 2016-17 would be 1.525%. We have assumed a resumption of 2% annual inflationary growth in all subsequent fiscal years. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than 2% when real estate values increase more than 2% (see Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this Report might also impact taxable assessed values and Gross Revenues. HdL Coren & Cone makes no representation that taxable assessed values will actually grow at the rate projected.

Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the County Assessor and County Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the judgment of individual appraisers. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

# Successor Agency to the Redevelopment Agency of the County of San Bernardino

## San Sevaine Redevelopment Project

### Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)



13-Jan-16

Table 1 - Redevelopment Project

Taxable Values (1)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Real Property (2)	1,368,501	1,358,549	1,385,720	1,413,435	1,441,704	1,470,538	1,499,948	1,529,947	1,560,546	1,591,757
California Steel Industries Fixtures (3)	354,491	354,491	354,491	354,491	354,491	354,491	354,491	354,491	354,491	354,491
Personal Property (4)	222,126	222,126	222,126	222,126	222,126	222,126	222,126	222,126	222,126	222,126
<b>Total Projected Value</b>	<b>1,945,118</b>	<b>1,935,166</b>	<b>1,962,337</b>	<b>1,990,051</b>	<b>2,018,320</b>	<b>2,047,154</b>	<b>2,076,565</b>	<b>2,106,564</b>	<b>2,137,163</b>	<b>2,168,374</b>
<b>Taxable Value over Base</b>	<b>519,536</b>	<b>1,425,582</b>	<b>1,415,630</b>	<b>1,442,801</b>	<b>1,470,515</b>	<b>1,498,784</b>	<b>1,527,618</b>	<b>1,557,029</b>	<b>1,587,028</b>	<b>1,648,838</b>
Gross Tax Increment Revenue (5)	14,306	14,206	14,479	14,757	15,040	15,330	15,625	15,926	16,233	16,546
Unitary Tax Revenue	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>
<b>Gross Tax Revenues</b>	<b>14,382</b>	<b>14,282</b>	<b>14,555</b>	<b>14,833</b>	<b>15,117</b>	<b>15,406</b>	<b>15,701</b>	<b>16,002</b>	<b>16,310</b>	<b>16,623</b>
<b>LESS</b>										
SB 2557 Admin. Fee (6)	(149)	(148)	(151)	(154)	(157)	(160)	(163)	(166)	(170)	(173)
Housing Set Aside Requirement (7)	0	0	0	0	0	0	0	0	0	0
<b>Pledged Tax Revenues</b>	<b>14,233</b>	<b>14,134</b>	<b>14,404</b>	<b>14,679</b>	<b>14,960</b>	<b>15,246</b>	<b>15,538</b>	<b>15,836</b>	<b>16,140</b>	<b>16,450</b>
<b>Subordinate Tax Sharing Payments</b>										
AB1290 Statutory Tax Sharing Payments										
Taxing Entity Pass Throughs Tier 1 (8)	(2,876)	(2,856)	(2,911)	(2,967)	(3,023)	(3,081)	(3,140)	(3,200)	(3,262)	(3,325)
Taxing Entity Pass Throughs Tier 2 (8)	(1,084)	(1,067)	(1,113)	(1,159)	(1,207)	(1,256)	(1,305)	(1,356)	(1,407)	(1,460)
Taxing Entity Pass Throughs Tier 3 (8)	0	0	0	0	0	0	0	0	0	0
<b>Net Tax Revenues</b>	<b>10,273</b>	<b>10,211</b>	<b>10,380</b>	<b>10,553</b>	<b>10,729</b>	<b>10,909</b>	<b>11,093</b>	<b>11,280</b>	<b>11,471</b>	<b>11,665</b>

- (1) Taxable values as reported by San Bernardino County.
- (2) Real property consists of land and improvements. Increased for inflation at 1.525% in 2016-17 and at 2% annually thereafter. Values for 2016-17 are increased by \$11,475,546 due to 21 transfers of ownership from 1/1/2015 through 10/31/2015 and decreased by \$41,661,749 for projected value loss due to pending assessment appeals.
- (3) California Steel Industries fixture value is held constant at 2015-16 level.
- (4) Personal property is held constant at 2015-16 level.
- (5) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters after 1988. The assumed future tax rates remains constant at \$1.0035 per \$100 of taxable value until 2034-35 and decreases to \$1.00 per \$100 of taxable value thereafter.
- (6) San Bernardino County Administration fee is estimated at 1.0390% of Gross Revenue.
- (7) Per ABx1 26, the low and moderate income housing requirement is no longer applicable.
- (8) All Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside. The payments to the taxing entities are subordinate to the payment of debt service on the bonds pursuant to Section 33607.5(e) of the Law.

# Successor Agency to the Redevelopment Agency of the County of San Bernardino

## San Sevaine Redevelopment Project

### PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)



13-Jan-16

Table 2 - Redevelopment Project

		Total Taxable Value	Taxable Value Over Base (1)	Gross Tax Revenue (1)	SB 2557 Charge (2)	Housing Set-Aside (3)	Pledged Tax Revenues	Subordinate AB 1290 Statutory Tax Sharing				Net Tax Revenues
								1st Tier	2nd Tier	3rd Tier	Total	
1	2015-16	1,945,118	1,425,582	14,382	(149)	0	14,233	(2,876)	(1,084)	0	(3,960)	10,273
2	2016-17	1,935,166	1,415,630	14,282	(148)	0	14,134	(2,856)	(1,067)	0	(3,923)	10,211
3	2017-18	1,962,337	1,442,801	14,555	(151)	0	14,404	(2,911)	(1,113)	0	(4,024)	10,380
4	2018-19	1,990,051	1,470,515	14,833	(154)	0	14,679	(2,967)	(1,159)	0	(4,126)	10,553
5	2019-20	2,018,320	1,498,784	15,117	(157)	0	14,960	(3,023)	(1,207)	0	(4,230)	10,729
6	2020-21	2,047,154	1,527,618	15,406	(160)	0	15,246	(3,081)	(1,256)	0	(4,337)	10,909
7	2021-22	2,076,565	1,557,029	15,701	(163)	0	15,538	(3,140)	(1,305)	0	(4,445)	11,093
8	2022-23	2,106,564	1,587,028	16,002	(166)	0	15,836	(3,200)	(1,356)	0	(4,556)	11,280
9	2023-24	2,137,163	1,617,627	16,310	(170)	0	16,140	(3,262)	(1,407)	0	(4,669)	11,471
10	2024-25	2,168,374	1,648,838	16,623	(173)	0	16,450	(3,325)	(1,460)	0	(4,784)	11,665
11	2025-26	2,200,209	1,680,673	16,942	(176)	0	16,766	(3,388)	(1,514)	0	(4,902)	11,864
12	2026-27	2,232,681	1,713,145	17,268	(179)	0	17,089	(3,454)	(1,568)	(32)	(5,054)	12,035
13	2027-28	2,265,802	1,746,266	17,600	(183)	0	17,417	(3,520)	(1,624)	(64)	(5,208)	12,209
14	2028-29	2,299,585	1,780,050	17,939	(186)	0	17,753	(3,588)	(1,681)	(97)	(5,366)	12,387
15	2029-30	2,334,045	1,814,509	18,285	(190)	0	18,095	(3,657)	(1,739)	(131)	(5,527)	12,568
16	2030-31	2,369,193	1,849,658	18,638	(194)	0	18,444	(3,728)	(1,799)	(165)	(5,691)	12,753
17	2031-32	2,405,045	1,885,509	18,998	(197)	0	18,800	(3,800)	(1,859)	(200)	(5,859)	12,941
18	2032-33	2,441,614	1,922,078	19,365	(201)	0	19,163	(3,873)	(1,921)	(236)	(6,030)	13,134
19	2033-34	2,478,914	1,959,378	19,739	(205)	0	19,534	(3,948)	(1,983)	(273)	(6,204)	13,330
20	2034-35	2,516,959	1,997,424	20,121	(209)	0	19,912	(4,024)	(2,048)	(310)	(6,382)	13,530
21	2035-36	2,555,766	2,036,230	20,447	(213)	0	20,234	(4,089)	(2,106)	(352)	(6,548)	13,686
22	2036-37	2,595,349	2,075,813	20,835	(217)	0	20,618	(4,167)	(2,172)	(396)	(6,736)	13,883
23	2037-38	2,635,724	2,116,188	21,239	(221)	0	21,018	(4,248)	(2,240)	(442)	(6,929)	14,088
24	2038-39	2,676,906	2,157,370	21,650	(225)	0	21,425	(4,330)	(2,309)	(488)	(7,127)	14,298
25	2039-40	2,718,912	2,199,376	22,070	(229)	0	21,841	(4,414)	(2,380)	(535)	(7,329)	14,512
26	2040-41	2,761,758	2,242,222	22,499	(234)	0	22,265	(4,500)	(2,452)	(583)	(7,534)	14,731
27	2041-42	2,805,461	2,285,925	2,048	(22)	0	2,027	(410)	(226)	(42)	(677)	1,349
28	2042-43	309,842	210,319	2,106	(22)	0	2,084	(421)	(235)	(48)	(705)	1,379
29	2043-44	315,751	216,227	2,165	(23)	0	2,142	(433)	(245)	(55)	(733)	1,409
30	2044-45	321,777	222,254	2,225	(24)	0	2,202	(445)	(255)	(62)	(762)	1,440
31	2045-46	327,924	228,401	2,287	(24)	0	2,263	(457)	(266)	(69)	(792)	1,471
32	2046-47	334,193	234,670	2,350	(25)	0	2,325	(470)	(276)	(76)	(822)	1,503
33	2047-48	340,589	241,066	2,414	(26)	0	2,388	(483)	(287)	(83)	(853)	1,535
34	2048-49	347,112	247,589	2,479	(26)	0	2,453	(496)	(298)	(90)	(884)	1,569
				484,922	(5,043)	0	479,878	(96,984)	(45,896)	(4,829)	(147,710)	332,169

Footnotes: see Tables 1 for the Original Area and Amendment 1 Area.

**Successor Agency to the Redevelopment Agency of the County of San Bernardino**  
**San Seivaine Redevelopment Project**  
**HISTORICAL VALUES (1)**

**Table 3 - Redevelopment Project**

	<b>Revised Base Year 2005-06 (4)</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<i>Secured (2)</i>											
Land	465,204,227	308,231,436	331,108,207	454,253,433	495,057,740	481,624,084	454,179,743	448,782,325	465,110,732	469,186,031	490,324,781
Impts	0	690,312,784	742,502,745	897,647,238	953,307,867	880,667,573	878,972,379	785,471,139	786,886,990	757,238,114	778,266,693
California Steel Industries Fixtures	0	263,978,355	264,024,209	255,727,512	176,075,484	185,053,024	220,318,622	234,364,826	241,164,666	320,170,886	354,490,763
Pers Prop	0	32,795,471	84,081,037	55,185,076	60,729,390	58,873,198	57,364,110	61,779,847	62,562,837	71,619,319	92,433,129
Exemptions	0	(118,096)	(120,458)	(122,868)	(1,423,654)	(1,108,279)	(983,250)	0	(966,150)	0	(966,150)
<b>Total Secured</b>	<b>465,204,227</b>	<b>1,295,199,950</b>	<b>1,421,595,740</b>	<b>1,662,690,391</b>	<b>1,683,746,827</b>	<b>1,605,109,600</b>	<b>1,609,851,604</b>	<b>1,530,398,137</b>	<b>1,554,759,075</b>	<b>1,618,214,350</b>	<b>1,714,549,216</b>
<i>Unsecured</i>											
Land	0	0	0	0	0	0	0	0	0	0	0
Impts	0	57,899,823	65,438,460	72,626,682	81,677,765	95,067,567	96,335,796	93,999,420	80,312,008	107,678,547	100,876,009
Pers Prop	54,331,682	89,853,563	98,873,337	131,529,053	110,754,470	120,760,575	111,749,323	111,450,097	106,769,287	113,846,346	129,692,432
Exemptions	0	0	0	0	0	0	0	0	0	0	0
<b>Total Unsecured</b>	<b>54,331,682</b>	<b>147,753,386</b>	<b>164,311,797</b>	<b>204,155,735</b>	<b>192,432,235</b>	<b>215,828,142</b>	<b>208,085,119</b>	<b>205,449,517</b>	<b>187,081,295</b>	<b>221,524,893</b>	<b>230,568,441</b>
<b>GRAND TOTAL</b>	<b>519,535,909</b>	<b>1,442,953,336</b>	<b>1,585,907,537</b>	<b>1,866,846,126</b>	<b>1,876,179,062</b>	<b>1,820,937,742</b>	<b>1,817,936,723</b>	<b>1,735,847,654</b>	<b>1,741,840,370</b>	<b>1,839,739,243</b>	<b>1,945,117,657</b>
Incremental Value:		923,417,427	1,066,371,628	1,347,310,217	1,356,643,153	1,301,401,833	1,298,400,814	1,216,311,745	1,222,304,461	1,320,203,334	1,425,581,748
Annual Incremental Value Percentage Change:			15.48%	26.35%	0.69%	-4.07%	-0.23%	-6.32%	0.49%	8.01%	7.98%

(1) Source: County of San Bernardino Lien Date Rolls

(2) Secured values include state assessed non-unitary utility property.

Successor Agency to the Redevelopment Agency of the County of San Bernardino  
**San Sevaine Redevelopment Project**  
 NEW DEVELOPMENT

Table 4 - Redevelopment Project

000's omitted												
<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Residential Development	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
Commercial Development	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
Transfer Sales (January 1, 2015 thru June 30, 2015)												
Transfer Sales	19	0	26,193,500	14,658,925	11,535		Completed	11,535	0	0	0	0
Foreclosure Sales	0	0	0	0	0			0	0	0	0	0
Foreclosure	2	0	489,130	548,159	(59)		Completed	(59)	0	0	0	0
Total Real Property:	21		26,682,630	15,207,084	11,476			11,476	0	0	0	0

**Successor Agency to the Redevelopment Agency of the County of San Bernardino**  
**San Sevaire Redevelopment Project**  
**TOP TEN TAXABLE PROPERTY OWNERS <sup>(1)</sup>**

**Table 5 - Redevelopment Project**

Owner	Secured			Unsecured			Total			Use
	Value	Parcels	% of Sec. AV	Value	Parcels	% of Sec. AV	Value	% of Total Value	% Incr. Value	
1 California Steel Industries Inc.	\$ 540,316,973	11	31.51%	\$ -	-	0.00%	\$ 540,316,973	27.78%	37.90%	Industrial
2 Prologis-A3 California I LP <sup>(2)</sup>	189,670,360	16	11.06%	-	-	0.00%	189,670,360	9.75%	13.30%	Industrial
3 PACAB LLC <sup>(2)</sup>	119,133,518	3	6.95%	-	-	0.00%	119,133,518	6.12%	8.36%	Industrial, Unsecured
4 California Speedway Corporation	88,739,336	10	5.18%	6,291,860	3	2.73%	95,031,196	4.89%	6.67%	Recreational
5 Campbell Hawaii Investor LLC <sup>(2)</sup>	57,210,236	1	3.34%	-	-	0.00%	57,210,236	2.94%	4.01%	Industrial
6 Trader Joe's Company <sup>(2)</sup>	41,962,472	1	2.45%	13,191,556	1	5.72%	55,154,028	2.84%	3.87%	Industrial
7 Palmtree Acquisition Corporation <sup>(2)</sup>	53,833,251	1	3.14%	-	-	0.00%	53,833,251	2.77%	3.78%	Industrial
8 Teachers Insurance and Annuity Association <sup>(2)</sup>	42,265,000	1	2.47%	-	-	0.00%	42,265,000	2.17%	2.96%	Industrial, Unsecured
9 9774 Calabash LLC	42,160,827	1	2.46%	-	-	0.00%	42,160,827	2.17%	2.96%	Industrial
10 Watson Land Company	30,981,587	4	1.81%	-	-	0.00%	30,981,587	1.59%	2.17%	Industrial
Total	\$ 1,206,273,560	49		\$ 19,483,416	4		\$ 1,225,756,976			
Project Area Totals:	\$ 1,714,549,216		70.36%	\$ 230,568,441		8.45%	\$ 1,945,117,657	63.02%		
Project Area Incremental Value Totals	\$ 1,249,344,989		96.55%	\$ 176,236,759		11.06%	\$ 1,425,581,748	85.98%		

<sup>(1)</sup> 2015-16 top property owners current as of October 31, 2015.

<sup>(2)</sup> Pending appeals.

**Successor Agency to the Redevelopment Agency of the County of San Bernardino  
San Sevaine Redevelopment Project - Original Area**

**Projection of Incremental Taxable Value & Tax Increment Revenue**

(000's Omitted)



13-Jan-16

**Table 1 - Original Area**

<b>Taxable Values (1)</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Real Property (2)	1,197,952	1,182,019	1,205,660	1,229,773	1,254,369	1,279,456	1,305,045	1,331,146	1,357,769	1,384,924
California Steel Industries Fixtures (3)	354,491	354,491	354,491	354,491	354,491	354,491	354,491	354,491	354,491	354,491
Personal Property (4)	<u>207,692</u>	<u>207,692</u>	<u>207,692</u>	<u>207,692</u>	<u>207,692</u>	<u>207,692</u>	<u>207,692</u>	<u>207,692</u>	<u>207,692</u>	<u>207,692</u>
<b>Total Projected Value</b>	<b>1,760,134</b>	<b>1,744,202</b>	<b>1,767,842</b>	<b>1,791,955</b>	<b>1,816,551</b>	<b>1,841,638</b>	<b>1,867,227</b>	<b>1,893,328</b>	<b>1,919,951</b>	<b>1,947,107</b>
<b>Taxable Value over Base</b>	<b>420,013</b>	<b>1,340,121</b>	<b>1,324,189</b>	<b>1,347,830</b>	<b>1,371,943</b>	<b>1,396,538</b>	<b>1,421,626</b>	<b>1,447,215</b>	<b>1,473,316</b>	<b>1,527,094</b>
Gross Tax Increment Revenue (5)	13,448	13,288	13,525	13,767	14,014	14,266	14,523	14,785	15,052	15,324
Unitary Tax Revenue	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>	<u>74</u>
<b>Gross Tax Revenues</b>	<b>13,522</b>	<b>13,362</b>	<b>13,599</b>	<b>13,841</b>	<b>14,088</b>	<b>14,340</b>	<b>14,597</b>	<b>14,858</b>	<b>15,126</b>	<b>15,398</b>
<b>LESS</b>										
SB 2557 Admin. Fee (6)	(140)	(139)	(141)	(144)	(146)	(149)	(151)	(154)	(157)	(160)
Housing Set Aside Requirement (7)	0	0	0	0	0	0	0	0	0	0
<b>Pledged Tax Revenues</b>	<b>13,381</b>	<b>13,223</b>	<b>13,458</b>	<b>13,698</b>	<b>13,942</b>	<b>14,191</b>	<b>14,445</b>	<b>14,704</b>	<b>14,969</b>	<b>15,238</b>
<b>Subordinate Tax Sharing Payments</b>										
AB1290 Statutory Tax Sharing Payments										
Taxing Entity Pass Throughs Tier 1 (8)	(2,704)	(2,672)	(2,720)	(2,768)	(2,818)	(2,868)	(2,919)	(2,972)	(3,025)	(3,080)
Taxing Entity Pass Throughs Tier 2 (8)	(1,058)	(1,031)	(1,071)	(1,112)	(1,153)	(1,195)	(1,238)	(1,282)	(1,327)	(1,373)
Taxing Entity Pass Throughs Tier 3 (8)	0	0	0	0	0	0	0	0	0	0
<b>Net Tax Revenues</b>	<b><u>9,619</u></b>	<b><u>9,520</u></b>	<b><u>9,667</u></b>	<b><u>9,818</u></b>	<b><u>9,971</u></b>	<b><u>10,128</u></b>	<b><u>10,287</u></b>	<b><u>10,450</u></b>	<b><u>10,616</u></b>	<b><u>10,786</u></b>

- (1) Taxable values as reported by San Bernardino County.
- (2) Real property consists of land and improvements. Increased for inflation at 1.525% in 2016-17 and at 2% annually thereafter. Values for 2016-17 are increased by \$1,792,563 due to three transfers of ownership from 1/1/2015 through 8/31/2015 and decreased by \$39,710,774 for projected value loss due to pending assessment appeals.
- (3) California Steel Industries fixture value is held constant at 2015-16 level.
- (4) Personal property is held constant at 2015-16 level.
- (5) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters after 1988. The assumed future tax rates remains constant at \$1.0035 per \$100 of taxable value until 2034-35 and decreases to \$1.00 per \$100 of taxable value thereafter.
- (6) San Bernardino County Administration fee is estimated at 1.0379% of Gross Revenue.
- (7) Per ABx1 26, the low and moderate income housing requirement is no longer applicable.
- (8) All Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside. The payments to the taxing entities are subordinate to the payment of debt service on the bonds pursuant to Section 33607.5(e) of the Law.



**Successor Agency to the Redevelopment Agency of the County of San Bernardino  
San Seivaine Redevelopment Project - Original Area**

**PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE**

(000s Omitted)

**Table 2 -Original Area**

		<b>Taxable Value</b>		<b>Gross Tax</b>	<b>SB 2557</b>	<b>Housing</b>	<b>Pledged</b>	<b>Subordinate</b>				<b>Net</b>
		<b>Total</b>	<b>Over Base</b>	<b>Revenue (1)</b>	<b>Charge (2)</b>	<b>Set-Aside (3)</b>	<b>Tax</b>	<b>AB 1290 Statutory Tax Sharing</b>				<b>Tax Revenues</b>
		<b><u>Taxable Value</u></b>	<b><u>420,013</u></b>				<b><u>Revenues</u></b>	<b><u>1st Tier</u></b>	<b><u>2nd Tier</u></b>	<b><u>3rd Tier</u></b>	<b><u>Total</u></b>	
1	2015-16	1,760,134	1,340,121	13,522	(140)	0	13,381	(2,704)	(1,058)	0	(3,762)	9,619
2	2016-17	1,744,202	1,324,189	13,362	(139)	0	13,223	(2,672)	(1,031)	0	(3,703)	9,520
3	2017-18	1,767,842	1,347,830	13,599	(141)	0	13,458	(2,720)	(1,071)	0	(3,791)	9,667
4	2018-19	1,791,955	1,371,943	13,841	(144)	0	13,698	(2,768)	(1,112)	0	(3,880)	9,818
5	2019-20	1,816,551	1,396,538	14,088	(146)	0	13,942	(2,818)	(1,153)	0	(3,971)	9,971
6	2020-21	1,841,638	1,421,626	14,340	(149)	0	14,191	(2,868)	(1,195)	0	(4,063)	10,128
7	2021-22	1,867,227	1,447,215	14,597	(151)	0	14,445	(2,919)	(1,238)	0	(4,158)	10,287
8	2022-23	1,893,328	1,473,316	14,858	(154)	0	14,704	(2,972)	(1,282)	0	(4,254)	10,450
9	2023-24	1,919,951	1,499,938	15,126	(157)	0	14,969	(3,025)	(1,327)	0	(4,352)	10,616
10	2024-25	1,947,107	1,527,094	15,398	(160)	0	15,238	(3,080)	(1,373)	0	(4,453)	10,786
11	2025-26	1,974,805	1,554,792	15,676	(163)	0	15,513	(3,135)	(1,420)	0	(4,555)	10,958
12	2026-27	2,003,058	1,583,045	15,960	(166)	0	15,794	(3,192)	(1,467)	(32)	(4,691)	11,103
13	2027-28	2,031,875	1,611,862	16,249	(169)	0	16,080	(3,250)	(1,516)	(64)	(4,830)	11,250
14	2028-29	2,061,269	1,641,256	16,544	(172)	0	16,372	(3,309)	(1,566)	(97)	(4,972)	11,400
15	2029-30	2,091,251	1,671,238	16,845	(175)	0	16,670	(3,369)	(1,616)	(131)	(5,116)	11,554
16	2030-31	2,121,832	1,701,819	17,151	(178)	0	16,973	(3,430)	(1,668)	(165)	(5,263)	11,710
17	2031-32	2,153,025	1,733,012	17,464	(181)	0	17,283	(3,493)	(1,720)	(200)	(5,413)	11,870
18	2032-33	2,184,842	1,764,829	17,784	(185)	0	17,599	(3,557)	(1,774)	(236)	(5,567)	12,032
19	2033-34	2,217,295	1,797,282	18,109	(188)	0	17,921	(3,622)	(1,829)	(273)	(5,723)	12,198
20	2034-35	2,250,397	1,830,385	18,442	(191)	0	18,250	(3,688)	(1,884)	(310)	(5,883)	12,368
21	2035-36	2,284,162	1,864,149	18,723	(194)	0	18,528	(3,745)	(1,935)	(347)	(6,027)	12,502
22	2036-37	2,318,601	1,898,588	19,060	(198)	0	18,862	(3,812)	(1,992)	(385)	(6,189)	12,672
23	2037-38	2,353,730	1,933,717	19,411	(201)	0	19,209	(3,882)	(2,051)	(424)	(6,358)	12,851
24	2038-39	2,389,560	1,969,548	19,769	(205)	0	19,564	(3,954)	(2,112)	(465)	(6,530)	13,034
25	2039-40	2,426,108	2,006,095	20,135	(209)	0	19,926	(4,027)	(2,173)	(505)	(6,705)	13,220
26	2040-41	2,463,387	2,043,374	20,507	(213)	0	20,295	(4,101)	(2,236)	(547)	(6,884)	13,410
27	2041-42	2,501,411	2,081,398	0	0	0	0	0	0	0	0	0
28	2042-43	0	0	0	0	0	0	0	0	0	0	0
29	2043-44	0	0	0	0	0	0	0	0	0	0	0
30	2044-45	0	0	0	0	0	0	0	0	0	0	0
31	2045-46	0	0	0	0	0	0	0	0	0	0	0
32	2046-47	0	0	0	0	0	0	0	0	0	0	0
33	2047-48	0	0	0	0	0	0	0	0	0	0	0
34	2048-49	0	0	0	0	0	0	0	0	0	0	0
				430,558	(4,469)	0	426,090	(86,112)	(40,801)	(4,181)	(131,094)	294,996

Footnotes: see Table 1

**Successor Agency to the Redevelopment Agency of the County of San Bernardino**  
**San Sevaine Redevelopment Project - Original Area**

HISTORICAL VALUES (1)



13-Jan-16

**Table 3 - Original Area**

	<b>Base Year 1995-96</b>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
<i>Secured (2)</i>											
Land	383,326,251	254,369,516	287,128,611	376,640,153	414,093,833	407,418,266	380,813,713	375,876,624	389,552,750	393,111,162	410,167,751
Impts	0	633,577,189	697,951,813	813,695,567	868,046,064	802,499,813	802,579,416	714,374,839	709,938,522	678,278,576	694,783,915
California Steel Industries Fixtures	0	263,978,355	264,024,209	255,727,512	176,075,484	185,053,024	220,318,622	234,364,826	241,164,666	320,170,886	354,490,763
Pers Prop	0	32,472,292	46,251,892	54,876,223	60,431,387	58,621,607	57,364,110	61,779,847	62,562,837	71,619,319	92,433,129
Exemptions	0	0	0	0	0	0	0	0	0	0	0
<b>Total Secured</b>	<b>383,326,251</b>	<b>1,184,397,352</b>	<b>1,295,356,525</b>	<b>1,500,939,455</b>	<b>1,518,646,768</b>	<b>1,453,592,710</b>	<b>1,461,075,861</b>	<b>1,386,396,136</b>	<b>1,403,218,775</b>	<b>1,463,179,943</b>	<b>1,551,875,558</b>
<i>Unsecured</i>											
Land	0	0	0	0	0	0	0	0	0	0	0
Impts	0	51,901,198	62,798,585	68,560,256	76,854,399	89,013,942	90,646,776	88,597,562	74,903,493	103,240,404	93,000,003
Pers Prop	36,686,491	68,631,320	89,087,673	119,271,276	98,963,155	109,648,114	102,384,415	99,869,807	97,299,202	103,545,270	115,258,487
Exemptions	0	0	0	0	0	0	0	0	0	0	0
<b>Total Unsecured</b>	<b>36,686,491</b>	<b>120,532,518</b>	<b>151,886,258</b>	<b>187,831,532</b>	<b>175,817,554</b>	<b>198,662,056</b>	<b>193,031,191</b>	<b>188,467,369</b>	<b>172,202,695</b>	<b>206,785,674</b>	<b>208,258,490</b>
<b>GRAND TOTAL</b>	<b>420,012,742</b>	<b>1,304,929,870</b>	<b>1,447,242,783</b>	<b>1,688,770,987</b>	<b>1,694,464,322</b>	<b>1,652,254,766</b>	<b>1,654,107,052</b>	<b>1,574,863,505</b>	<b>1,575,421,470</b>	<b>1,669,965,617</b>	<b>1,760,134,048</b>
Incremental Value:		884,917,128	1,027,230,041	1,268,758,245	1,274,451,580	1,232,242,024	1,234,094,310	1,154,850,763	1,155,408,728	1,249,952,875	1,340,121,306
Annual Incremental Value Percentage Change:			16.08%	23.51%	0.45%	-3.31%	0.15%	-6.42%	0.05%	8.18%	7.21%

(1) Source: County of San Bernardino Lien Date Rolls

(2) Secured values include state assessed non-unitary utility property.

Successor Agency to the Redevelopment Agency of the County of San Bernardino  
San Sevaine Redevelopment Project - Original Area  
NEW DEVELOPMENT

Table 4 - Original Area

000's omitted																	
<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>					
Residential Development	0	0	0	0	0			0	0	0	0	0					
	0	0	0	0	0			0	0	0	0	0					
Commercial Development	0	0	0	0	0			0	0	0	0	0					
	0	0	0	0	0			0	0	0	0	0					
Transfer Sales (January 1, 2015 thru October 31, 2015)																	
Transfer Sales	4	0	15,516,000	9,400,572	6,115		Completed	6,115	0	0	0	0					
Foreclosure Sales	0	0	0	0	0			0	0	0	0	0					
Foreclosure	0	0	0	0	0			0	0	0	0	0					
Total Real Property:	4		15,516,000	9,400,572	6,115	<table><tr><td>6,115</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>							6,115	0	0	0	0
6,115	0	0	0	0													

**Successor Agency to the Redevelopment Agency of the County of San Bernardino**  
**San Sevaire Redevelopment Project - Original Area**  
**TOP TEN TAXABLE PROPERTY OWNERS <sup>(1)</sup>**

**Table 5 - Original Area**

Owner	Secured			Unsecured			Total			Use
	Value	Parcels	% of Sec. AV	Value	Parcels	% of Sec. AV	Value	% of Total Value	% Incr. Value	
1 California Steel Industries Inc.	\$ 540,316,973	11	34.82%	\$ -	-	0.00%	\$ 540,316,973	30.70%	40.32%	Industrial
2 Prologis-A3 California I LP <sup>(2)</sup>	189,670,360	16	12.22%	-	-	0.00%	189,670,360	10.78%	14.15%	Industrial
3 PACAB LLC <sup>(2)</sup>	119,133,518	3	7.68%	-	-	0.00%	119,133,518	6.77%	8.89%	Industrial, Unsecured
4 California Speedway Corporation	88,739,336	10	5.72%	6,291,860	3	3.02%	95,031,196	5.40%	7.09%	Recreational
5 Campbell Hawaii Investor LLC <sup>(2)</sup>	57,210,236	1	3.69%	-	-	0.00%	57,210,236	3.25%	4.27%	Industrial
6 Trader Joe's Company <sup>(2)</sup>	41,962,472	1	2.70%	13,191,556	1	6.33%	55,154,028	3.13%	4.12%	Industrial
7 Palmtree Acquisition Corporation <sup>(2)</sup>	53,833,251	1	3.47%	-	-	0.00%	53,833,251	3.06%	4.02%	Industrial
8 Teachers Insurance and Annuity Association <sup>(2)</sup>	42,265,000	1	2.72%	-	-	0.00%	42,265,000	2.40%	3.15%	Industrial, Unsecured
9 9774 Calabash LLC	42,160,827	1	2.72%	-	-	0.00%	42,160,827	2.40%	3.15%	Industrial
10 Watson Land Company	30,981,587	4	2.00%	-	-	0.00%	30,981,587	1.76%	2.31%	Industrial
Total	\$ 1,206,273,560	49		\$ 19,483,416	4		\$ 1,225,756,976			
Project Area Totals:	\$ 1,551,875,558		77.73%	\$ 208,258,490		9.36%	\$ 1,760,134,048		69.64%	
Project Area Incremental Value Totals	\$ 1,168,549,307		103.23%	\$ 171,571,999		11.36%	\$ 1,340,121,306		91.47%	

<sup>(1)</sup> 2015-16 top property owners current as of October 31, 2015.

<sup>(2)</sup> Pending appeals.

**Successor Agency to the Redevelopment Agency of the County of San Bernardino  
San Sevaine Redevelopment Project - Amendment No. 1 Area**

Projection of Incremental Taxable Value & Tax Increment Revenue  
(000's Omitted)



13-Jan-16

**Table 1 - Amendment No. 1 Area**

<b>Taxable Values (1)</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Real Property (2)	170,550	176,530	180,061	183,662	187,335	191,082	194,903	198,801	202,777	206,833
Personal Property (3)	<u>14,434</u>	<u>14,434</u>	<u>14,434</u>	<u>14,434</u>	<u>14,434</u>	<u>14,434</u>	<u>14,434</u>	<u>14,434</u>	<u>14,434</u>	<u>14,434</u>
<b>Total Projected Value</b>	<b>184,984</b>	<b>190,964</b>	<b>194,494</b>	<b>198,096</b>	<b>201,769</b>	<b>205,516</b>	<b>209,337</b>	<b>213,235</b>	<b>217,211</b>	<b>221,267</b>
<b>Taxable Value over Base</b>	<b>99,523</b>	<b>85,460</b>	<b>91,441</b>	<b>94,971</b>	<b>98,573</b>	<b>102,246</b>	<b>105,992</b>	<b>109,814</b>	<b>113,712</b>	<b>117,744</b>
Gross Tax Increment Revenue (4)	858	918	953	989	1,026	1,064	1,102	1,141	1,181	1,222
Unitary Tax Revenue	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
<b>Gross Tax Revenues</b>	<b>861</b>	<b>921</b>	<b>956</b>	<b>992</b>	<b>1,029</b>	<b>1,067</b>	<b>1,105</b>	<b>1,144</b>	<b>1,184</b>	<b>1,225</b>
<b>LESS</b>										
SB 2557 Admin. Fee (5)	(9)	(10)	(10)	(10)	(11)	(11)	(12)	(12)	(13)	(13)
Housing Set Aside Requirement (6)	0	0	0	0	0	0	0	0	0	0
<b>Pledged Tax Revenues</b>	<b>851</b>	<b>911</b>	<b>946</b>	<b>982</b>	<b>1,018</b>	<b>1,055</b>	<b>1,093</b>	<b>1,132</b>	<b>1,171</b>	<b>1,212</b>
<b>Subordinate Tax Sharing Payments</b>										
AB1290 Statutory Tax Sharing Payments										
Taxing Entity Pass Throughs Tier 1 (7)	(172)	(184)	(191)	(198)	(206)	(213)	(221)	(229)	(237)	(245)
Taxing Entity Pass Throughs Tier 2 (7)	(26)	(36)	(42)	(48)	(54)	(60)	(67)	(73)	(80)	(87)
Taxing Entity Pass Throughs Tier 3 (7)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Tax Revenues</b>	<b><u>654</u></b>	<b><u>691</u></b>	<b><u>713</u></b>	<b><u>735</u></b>	<b><u>758</u></b>	<b><u>782</u></b>	<b><u>806</u></b>	<b><u>830</u></b>	<b><u>855</u></b>	<b><u>880</u></b>

- (1) Taxable values as reported by San Bernardino County.
- (2) Real property consists of land and improvements. Increased for inflation at 1.525% in 2016-17 and at 2% annually thereafter. Values for 2016-17 are increased by \$5,085,424 due to fourteen transfers of ownership from 1/1/2015 through 8/31/2015 and decreased by \$1,950,975 for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2011-12 level.
- (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters after 1988. The assumed future tax rates remains constant at \$1.0037 per \$100 of taxable value until 2034-35 and decreases to \$1.00 per \$100 of taxable value thereafter.
- (5) San Bernardino County Administration fee is estimated at 1.0574% of Gross Revenue.
- (6) Per ABx1 26, the low and moderate income housing requirement is no longer applicable.
- (7) All Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside. The payments to the taxing entities are subordinate to the payment of debt service on the bonds pursuant to Section 33607.5(e) of the Law.

**Redevelopment Agency of the County of San Bernardino  
San Sevaine Redevelopment Project - Amendment Area 1**

**PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE**  
(000s Omitted)



13-Jan-16

**Table 2 - Amendment No. 1 Area**

		Total	Taxable Value Over Base	Gross Tax	SB 2557	Housing	Pledged	Subordinate				Net
		<u>Taxable Value</u>	<u>99,523</u>	<u>Revenue (1)</u>	<u>Charge (2)</u>	<u>Set-Aside (3)</u>	<u>Tax</u>	<u>AB 1290 Statutory Tax Sharing</u>				<u>Tax Revenue</u>
							<u>Revenues</u>	<u>1st Tier</u>	<u>2nd Tier</u>	<u>3rd Tier</u>	<u>Total</u>	
1	2015-16	184,984	85,460	861	(9)	0	851	(172)	(26)	0	(198)	654
2	2016-17	190,964	91,441	921	(10)	0	911	(184)	(36)	0	(220)	691
3	2017-18	194,494	94,971	956	(10)	0	946	(191)	(42)	0	(233)	713
4	2018-19	198,096	98,573	992	(10)	0	982	(198)	(48)	0	(246)	735
5	2019-20	201,769	102,246	1,029	(11)	0	1,018	(206)	(54)	0	(260)	758
6	2020-21	205,516	105,992	1,067	(11)	0	1,055	(213)	(60)	0	(274)	782
7	2021-22	209,337	109,814	1,105	(12)	0	1,093	(221)	(67)	0	(288)	806
8	2022-23	213,235	113,712	1,144	(12)	0	1,132	(229)	(73)	0	(302)	830
9	2023-24	217,211	117,688	1,184	(13)	0	1,171	(237)	(80)	0	(317)	855
10	2024-25	221,267	121,744	1,225	(13)	0	1,212	(245)	(87)	0	(332)	880
11	2025-26	225,404	125,880	1,266	(13)	0	1,253	(253)	(94)	0	(347)	906
12	2026-27	229,623	130,100	1,308	(14)	0	1,295	(262)	(101)	0	(363)	932
13	2027-28	233,927	134,404	1,352	(14)	0	1,337	(270)	(108)	0	(378)	959
14	2028-29	238,317	138,793	1,396	(15)	0	1,381	(279)	(116)	0	(395)	986
15	2029-30	242,794	143,271	1,441	(15)	0	1,425	(288)	(123)	0	(411)	1,014
16	2030-31	247,361	147,838	1,486	(16)	0	1,471	(297)	(131)	0	(428)	1,043
17	2031-32	252,020	152,497	1,533	(16)	0	1,517	(307)	(139)	0	(445)	1,072
18	2032-33	256,772	157,249	1,581	(17)	0	1,564	(316)	(147)	0	(463)	1,101
19	2033-34	261,618	162,095	1,630	(17)	0	1,612	(326)	(155)	0	(481)	1,132
20	2034-35	266,562	167,039	1,679	(18)	0	1,661	(336)	(163)	0	(499)	1,162
21	2035-36	271,605	172,082	1,724	(18)	0	1,706	(345)	(171)	(6)	(522)	1,184
22	2036-37	276,748	177,225	1,775	(19)	0	1,756	(355)	(180)	(11)	(546)	1,210
23	2037-38	281,994	182,471	1,828	(19)	0	1,808	(366)	(189)	(17)	(571)	1,237
24	2038-39	287,346	187,822	1,881	(20)	0	1,861	(376)	(198)	(23)	(597)	1,264
25	2039-40	292,804	193,281	1,936	(20)	0	1,915	(387)	(207)	(29)	(623)	1,292
26	2040-41	298,371	198,848	1,991	(21)	0	1,970	(398)	(216)	(36)	(650)	1,320
27	2041-42	304,050	204,527	2,048	(22)	0	2,027	(410)	(226)	(42)	(677)	1,349
28	2042-43	309,842	210,319	2,106	(22)	0	2,084	(421)	(235)	(48)	(705)	1,379
29	2043-44	315,751	216,227	2,165	(23)	0	2,142	(433)	(245)	(55)	(733)	1,409
30	2044-45	321,777	222,254	2,225	(24)	0	2,202	(445)	(255)	(62)	(762)	1,440
31	2045-46	327,924	228,401	2,287	(24)	0	2,263	(457)	(266)	(69)	(792)	1,471
32	2046-47	334,193	234,670	2,350	(25)	0	2,325	(470)	(276)	(76)	(822)	1,503
33	2047-48	340,589	241,066	2,414	(26)	0	2,388	(483)	(287)	(83)	(853)	1,535
34	2048-49	347,112	247,589	2,479	(26)	0	2,453	(496)	(298)	(90)	(884)	1,569
				54,363	(575)	0	53,788	(10,873)	(5,095)	(648)	(16,616)	37,173

Footnotes: see Table 1

**Redevelopment Agency of the County of San Bernardino**  
**San Sevaine Redevelopment Project - Amendment Area 1**  
**HISTORICAL VALUES (1)**

**Table 3 - Amendment No. 1 Area**

	<b>Revised Base Year 2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b><u>Secured (2)</u></b>											
Land	81,877,976	53,861,920	43,979,596	77,613,280	80,963,907	74,205,818	73,366,030	72,905,701	75,557,982	76,074,869	80,157,030
Impts	0	56,735,595	44,550,932	83,951,671	85,261,803	78,167,760	76,392,963	71,096,300	76,948,468	78,959,538	83,482,778
Pers Prop	0	323,179	37,829,145	308,853	298,003	251,591	0	0	0	0	0
Exemptions	0	(118,096)	(120,458)	(122,868)	(1,423,654)	(1,108,279)	(983,250)	0	(966,150)	0	(966,150)
<b>Total Secured</b>	<b>81,877,976</b>	<b>110,802,598</b>	<b>126,239,215</b>	<b>161,750,936</b>	<b>165,100,059</b>	<b>151,516,890</b>	<b>148,775,743</b>	<b>144,002,001</b>	<b>151,540,300</b>	<b>155,034,407</b>	<b>162,673,658</b>
<b><u>Unsecured</u></b>											
Land	0	0	0	0	0	0	0	0	0	0	0
Impts	0	5,998,625	2,639,875	4,066,426	4,823,366	6,053,625	5,689,020	5,401,858	5,408,515	4,438,143	7,876,006
Pers Prop	17,645,191	21,222,243	9,785,664	12,257,777	11,791,315	11,112,461	9,364,908	11,580,290	9,470,085	10,301,076	14,433,945
Exemptions	0	0	0	0	0	0	0	0	0	0	0
<b>Total Unsecured</b>	<b>17,645,191</b>	<b>27,220,868</b>	<b>12,425,539</b>	<b>16,324,203</b>	<b>16,614,681</b>	<b>17,166,086</b>	<b>15,053,928</b>	<b>16,982,148</b>	<b>14,878,600</b>	<b>14,739,219</b>	<b>22,309,951</b>
<b>GRAND TOTAL</b>	<b>99,523,167</b>	<b>138,023,466</b>	<b>138,664,754</b>	<b>178,075,139</b>	<b>181,714,740</b>	<b>168,682,976</b>	<b>163,829,671</b>	<b>160,984,149</b>	<b>166,418,900</b>	<b>169,773,626</b>	<b>184,983,609</b>
Incremental Value:		38,500,299	39,141,587	78,551,972	82,191,573	69,159,809	64,306,504	61,460,982	66,895,733	70,250,459	85,460,442
Annual Incremental Value Percentage Change:			1.67%	100.69%	4.63%	-15.86%	-7.02%	-4.42%	8.84%	5.01%	21.65%

(1) Source: County of San Bernardino

(2) Secured values include state assessed non-unitary utility property.

Successor Agency to the Redevelopment Agency of the County of San Bernardino  
San Sevaine Redevelopment Project - Amendment No. 1 Area  
NEW DEVELOPMENT

Table 4 - Amendment No. 1 Area

000's omitted												
<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Residential Development	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
Commercial Development	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
Transfer Sales (January 1, 2015 thru October 31, 2015)												
Transfer Sales	15	0	10,677,500	5,258,353	5,419		Completed	5,419	0	0	0	0
Foreclosure Sales	0	0	0	0	0			0	0	0	0	0
Foreclosure	2	0	489,130	548,159	(59)		Completed	(59)	0	0	0	0
Total Real Property:	17		11,166,630	5,806,512	5,360			5,360	0	0	0	0



**Successor Agency to the Redevelopment Agency of the County of San Bernardino**  
**San Sevaire Redevelopment Project - Amendment No. 1 Area**  
**TOP TEN TAXABLE PROPERTY OWNERS <sup>(1)</sup>**

**Table 5 - Amendment No. 1 Area**

Owner	Secured			Unsecured			Total			Use
	Value	Parcels	% of Sec. AV	Value	Parcels	% of Sec. AV	Value	% of Total Value	% Incr. Value	
1 Dante Corporation <sup>(2)</sup>	\$ 13,257,234	4	8.15%	\$ -	-	0.00%	\$ 13,257,234	7.17%	15.51%	Industrial
2 Greg P. Steffire	7,213,605	1	4.43%	-	-	0.00%	7,213,605	3.90%	8.44%	Industrial
3 JF Shea Construction	3,093,387	2	1.90%	3,281,682	1	14.71%	6,375,069	3.45%	7.46%	Industrial, Vacant Land, Unsecured
4 Fontana Redwood Properties	5,302,000	5	3.26%	-	-	0.00%	5,302,000	2.87%	6.20%	Industrial
5 D Thompson Properties LLC	4,648,003	2	2.86%	-	-	0.00%	4,648,003	2.51%	5.44%	Residential
6 A J K Enterprises	4,066,322	1	2.50%	-	-	0.00%	4,066,322	2.20%	4.76%	Industrial
7 Western Pacific Crane and Equipment	3,304,614	1	2.03%	365,112	1	1.64%	3,669,726	1.98%	4.29%	Industrial, Unsecured
8 D S MB Family LP 3 13 06	3,089,958	2	1.90%	-	-	0.00%	3,089,958	1.67%	3.62%	Residential
9 Li Rocchi Enterprises <sup>(2)</sup>	2,557,000	1	1.57%	-	-	0.00%	2,557,000	1.38%	2.99%	Industrial
10 Balwinder K Kang	2,455,316	4	1.51%	-	-	0.00%	2,455,316	1.33%	2.87%	Industrial
Total	\$ 48,987,439	23		\$ 3,646,794	2		\$ 52,634,233			
Project Area Totals:	\$ 162,673,658		30.11%	\$ 22,309,951		16.35%	\$ 184,983,609	28.45%		
Project Area Incremental Value Totals	\$ 80,795,682		60.63%	\$ 4,664,760		78.18%	\$ 85,460,442	61.59%		

<sup>(1)</sup> 2015-16 top property owners current as of October 31, 2015.

<sup>(2)</sup> Pending appeals.

**APPENDIX I**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
31 West 52nd Street, New York, N.Y. 10019  
(212) 974-0100





FOR ADDITIONAL BOOKS: [ELABRA.COM](http://ELABRA.COM) OR (888) 935-2272