NEW ISSUE-BOOK-ENTRY ONLY

RATING:
S&P: "BBB"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, San Francisco California, Bond Counsel, subject however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$5,235,000
BURBANK PUBLIC FINANCING AUTHORITY
Revenue Bonds, 2003 Series B
(South San Fernando Redevelopment Project)

Dated: Date of Delivery **Due: December 1, as shown below**

The Burbank Financing Authority Revenue Bonds, 2003 Series B (South San Fernando Redevelopment Project) (the "Bonds") will be issued as fully registered Bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of interests in the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive physical certificates. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2003. Principal of, premium, if any, and interest on the Bonds is payable directly to DTC by the trustee for the Bonds. Upon receipt of payments of principal of, premium, if any, and interest on the Bonds, DTC will in turn remit such payments to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds, as described herein. See "The BONDS—Description of the Bonds" herein and APPENDIX F—Book-Entry Only System.

The Bonds are being issued in accordance with an Indenture of Trust, dated as of January 1, 2003 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be used to (a) fund a Purchase Fund to be used to purchase, on the date of delivery of the Bonds, the Redevelopment Agency of the City of Burbank (the "Agency") South San Fernando Redevelopment Project Tax Allocation Bonds, 2003 Series A (the "2003 South San Fernando Project Bonds"), and (b) fund a costs of issuance fund. See "PLAN OF FINANCE" herein.

The Bonds are subject to redemption prior to their respective maturities under certain conditions, as described herein. See "THE BONDS—Mandatory Redemption From Agency Bond Redemptions" and "—Mandatory Sinking Fund Redemption" herein.

The Bonds are limited obligations of the Authority and are payable from, and will be secured by, a pledge and assignment under the Indenture of amounts derived from the payment of debt service on the Agency Bonds. See "PLAN OF FINANCE" herein.

The obligation of the Agency to pay the principal of and interest on the 2003 South San Fernando Project Bonds is secured by a pledge under an indenture of trust, by and between the Agency and the Trustee, in its capacity as trustee for the 2003 South San Fernando Project Bonds (the "South San Fernando Indenture"), of certain tax increment revenues and other amounts payable to the Agency, consisting primarily of a portion of the taxes levied upon all taxable property within the Agency's South San Fernando Redevelopment Project area located in the City of Burbank.

NEITHER THE BONDS, NOR THE OBLIGATIONS OF THE AGENCY UNDER THE SOUTH SAN FERNANDO INDENTURE ARE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY AND THE AGENCY, RESPECTIVELY, TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS ARE LIABLE THEREFOR. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NONE OF THE MEMBERS OF THE AUTHORITY OR THE AGENCY OR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

This cover page is not intended to be a summary of the Bonds or the security therefor. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain other legal matters related to this offering will be passed upon by Quint & Thimmig LLP in its capacity as Disclosure Counsel. Certain legal matters will be passed upon for the Authority and the Agency by the City Attorney. It is expected that the Ser Bond in definitive form will be available for delivery to DTC in New York, New York on or about February 11, 2003.

E. J. DE LA ROSA & CO., INC.

January 29, 2003

$5,235,000
Burbank Financing Authority
Revenue Bonds, 2003 Series B
(South San Fernando Redevelopment Project)

MATURITY SCHEDULE

CUSIP Prefix: 12081P

$1,745,000 Serial Bonds

Maturity (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix
2003	$ 85,000	2.000%	2.00%	BY6
2004	85,000	2.000	2.15	BZ3
2005	90,000	2.250	2.40	CA7
2006	90,000	2.600	2.80	CB5
2007	95,000	3.000	3.20	CC3
2008	95,000	3.500	3.65	CD1
2009	100,000	3.800	4.00	CE9
2010	105,000	4.100	4.30	CF6
2011	105,000	4.250	4.50	CG4
2012	110,000	4.500	4.70	CH2
2013	115,000	4.750	4.85	CJ8
2014	120,000	4.750	5.00	CK5
2015	125,000	4.875	5.10	CL3
2016	135,000	5.000	5.25	CM1
2017	140,000	5.125	5.35	CN9
2018	150,000	5.250	5.45	CP4

$875,000 5.50% Term Bonds due December 1, 2023, Price: 98.168%, to Yield 5.65%—CUSIP: 12081P CQ2

$1,135,000 5.50% Term Bonds due December 1, 2028, Price: 97.304%, to Yield 5.70%—CUSIP: 12081P CR0

$1,480,000 5.50% Term Bonds due December 1, 2033, Price: 96.401%, to Yield 5.75%—CUSIP: 12081P CS8

BURBANK PUBLIC FINANCING AUTHORITY
REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
CITY OF BURBANK

AUTHORITY BOARD/AGENCY BOARD/CITY COUNCIL

David Laurell, *Chairman/Chairman/Mayor*
Stacey Murphy, *Vice Chairman/Vice Chairman/Vice Mayor*
Dave Golonski, *Board Member/Board Member/Council Member*
Marsha Ramos, *Board Member/Board Member/Council Member*
Jef Vander Borght, *Board Member/Board Member/Council Member*

AUTHORITY/AGENCY/CITY OFFICIALS

Robert R. "Bud" Ovrom, *Authority Executive Director/Agency Executive Director/City Manager*
Mary Alvord, *Authority Assistant Executive Director/Agency Assistant Executive Director/Assistant City Manager*
Donna Anderson, *Authority Treasurer/Agency Treasurer/City Treasurer*
Derek Hanway, *Financial Services Director*
Joan Michaels, *Budget Manager*
Susan Georgino, *Community Development Director*
Ruth Davidson-Guerra, *Senior Redevelopment Project Manager*
Maribel Frausto, *Redevelopment Project Manager*
Margarita Campos, *Authority Secretary/Agency Secretary/City Clerk*
Dennis A. Barlow, *Authority General Counsel/Agency General Counsel/City Attorney*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Quint & Thimmig LLP
San Francisco, California

Financial Advisor
Ross Financial
San Francisco, California

Trustee
Wells Fargo Bank, National Association
Los Angeles, California

City of Burbank
275 East Olive Avenue
Burbank, California 91502
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Fax: (818) 238-5520

No dealer, broker, salesperson or other person has been authorized by the Authority or the Agency to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation may not be relied upon as having been authorized by the Authority or the Agency. This Official Statement does not constitute an offer to sell or a solicitation or an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

The information set forth herein has been obtained from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Authority or the Agency since the date hereof.

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. No assurance is given that actual results will meet the Agency's forecasts in any way, regardless of the level of optimism communicated in the information. The Agency is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See "CONTINUING DISCLOSURE" herein.

In connection with this offering the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such Act. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such Act.

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Regional Map

18 June 2002 Information Technology, City of Burbank, 275 E Olive Av, Burbank, CA 91510 (818) 238-5082

OFFICIAL STATEMENT

$5,235,000
BURBANK PUBLIC FINANCING AUTHORITY
Revenue Bonds, 2003 Series B
(South San Fernando Redevelopment Project)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, table of contents and Appendices hereto (collectively, the "Official Statement"), is to provide certain information concerning the $5,235,000 Burbank Public Financing Authority Revenue Bonds, 2003 Series B (South San Fernando Redevelopment Project) (the "Bonds"). The Authority is a joint exercise of powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as of March 16, 1993 (the "Agreement"), between the City of Burbank (the "City") and the Redevelopment Agency of the City of Burbank (the "Agency"). The Agreement was entered into pursuant to the provisions of Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code, commencing with section 6500 (the "Act"). The Bonds are being issued in accordance with Article 4 of the Act (the "Bond Law"), a resolution (the "Resolution") adopted by the Authority on January 14, 2003, and an Indenture of Trust, dated as of February 1, 2003 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

Definitions and Summaries

Definitions of certain terms used in this Official Statement are set forth in APPENDIX B—"SUMMARY OF THE INDENTURE AND THE SOUTH SAN FERNANDO INDENTURE." This Official Statement contains brief descriptions of, among other things, the Bonds, the Indenture, the South San Fernando Project Bonds, the South San Fernando Indenture, the Authority, the Agency and the Project Area. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to those documents, and references to the Bonds are qualified in their entirety by reference to the form of Bond included in the Indenture. Copies of the Indenture, the South San Fernando Indenture and other documents described in this Official Statement may be obtained from the Trustee.

Use of Proceeds

The proceeds of the Bonds will be used to (a) fund a Purchase Fund to be used to purchase, on the date of delivery of the Bonds, the Agency's Redevelopment Agency of the City of Burbank South San Fernando Redevelopment Project Tax Allocation Bonds, 2003 Series A (the "2003 South San Fernando Project Bonds"), and (b) fund the Costs of Issuance Fund to pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

The 2003 South San Fernando Project Bonds will be issued by the Agency pursuant to an indenture of trust, dated as of February 1, 2003, by and between the Agency and the Trustee (the "South San Fernando Indenture""). The 2003 South San Fernando Project Bonds will be issued pursuant to the California Community Redevelopment Law, constituting Part 1, Division

24 (commencing with section 33000) of the California Health and Safety Code (the "Redevelopment Law").

Security for the Bonds

The Bonds are limited obligations of the Authority and are payable solely from, and will be secured by, a pledge and assignment under the Indenture of Revenues consisting of (a) all amounts derived from or in respect of the 2003 South San Fernando Project Bonds, including principal prepayments and other payments of principal thereof and interest thereon, and (b) investment earnings on amounts on deposit in certain funds and accounts established under the Indenture, other than the Project Fund and the Costs of Issuance Fund. The South San Fernando Indenture has provisions requiring the establishment and maintenance of a reserve account for the benefit of the South San Fernando Project Bonds and any Parity Debt. No reserve fund has been established under the Indenture. See "The South San Fernando Project Bonds" below.

The obligation of the Agency to pay the principal of and interest on the South San Fernando Project Bonds is secured by a pledge under the South San Fernando Indenture of certain tax increment revenues and other amounts payable to the Agency, consisting primarily of a portion of the taxes levied upon all taxable property within the Agency's South San Fernando Redevelopment Project (the "Project Area").

The Authority's rights under the Bonds and the South San Fernando Indenture have been assigned to the Trustee as security for the repayment of the Bonds. See "PLAN OF FINANCE" herein.

The South San Fernando Project Bonds

The primary source of Revenues to repay the Bonds will be the principal and interest paid on the South San Fernando Project Bonds, and the primary source of revenues to repay the South San Fernando Project Bonds will be Tax Revenues pledged under, and as defined in, the South San Fernando Indenture, derived from the Project Area.

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or "base roll," is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (the tax increment revenues) are allocated to the applicable redevelopment agency and may be pledged by the redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated. The Tax Revenues pledged to the repayment of the South San Fernando Project Bonds under the South San Fernando Indenture include the tax increment revenues paid to the Agency, less that portion required to be deposited to the Agency's Low and Moderate Income Housing Fund. Under the conditions set forth in the South San Fernando Indenture and described herein, the Agency may create additional indebtedness payable on a parity with the Agency's obligations under the South San Fernando Indenture to repay the South San Fernando

Project Bonds. See "SECURITY FOR THE BONDS—The South San Fernando Project Bonds" herein. The base year for the Project Area (the "Base Year") was established in 1997.

There has been established under the South San Fernando Indenture a reserve account (the "Reserve Account"), to secure the payment of principal of and interest on the South San Fernando Project Bonds. Under the South San Fernando Indenture, the Reserve Account is required to be maintained by the Agency at its "Reserve Requirement." In the event that the Agency receives insufficient Tax Revenues to pay debt service on the South San Fernando Project Bonds, amounts in the Reserve Account will be drawn upon in the amount of the shortfall. Draws on the Reserve Account are replenished only to the extent that future Tax Revenues received by the Agency will be in excess of debt service on the South San Fernando Project Bonds. See "SECURITY FOR THE BONDS—The South San Fernando Project Bonds" herein and APPENDIX B—"SUMMARY OF THE INDENTURE AND THE SOUTH SAN FERNANDO INDENTURE—THE SOUTH SAN FERNANDO INDENTURE."

NEITHER THE BONDS, NOR THE OBLIGATIONS OF THE AGENCY UNDER THE SOUTH SAN FERNANDO INDENTURE ARE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY AND THE AGENCY, RESPECTIVELY, TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS ARE LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE FROM AND SECURED BY AN ASSIGNMENT OF AMOUNTS PAYABLE BY THE AGENCY ON THE SOUTH SAN FERNANDO PROJECT BONDS. THE OBLIGATIONS OF THE AGENCY UNDER THE SOUTH SAN FERNANDO INDENTURE AND THE SOUTH SAN FERNANDO PROJECT BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE ONLY OUT OF CERTAIN FUNDS OF THE AGENCY AS SET FORTH IN THE SOUTH SAN FERNANDO INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NONE OF THE MEMBERS OF THE AUTHORITY OR THE AGENCY OR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

SOURCES AND USES OF FUNDS

The estimated sources and uses of the Bonds are as follows:

Sources:	
Principal Amount of Bonds	$5,235,000.00
Less: Original Issue Discount	(124,837.70)
Less: Underwriter's Discount	(33,216.05)
Total Sources	$5,076,946.25
Uses:	
Deposit in Purchase Fund (1)	$5,039,825.00
Deposit in Costs of Issuance (2)	37,121.25
Total Uses	$5,076,946.25

(1) The amount deposited in the Purchase Fund will be applied to the purchase of the South San Fernando Project Bonds. A portion of the purchase price for the South San Fernando Project Bonds will be deposited in the Reserve Account in an amount equal to maximum annual debt service on the South San Fernando Project Bonds.

(2) The amount deposited in the Costs of Issuance Fund will be used to pay legal fees, financial advisor fees and other costs of issuance.

THE BONDS

General

Under the Indenture, all of the Authority's right, title and interest in and to the Agency's payments of principal and interest on the South San Fernando Project Bonds are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds, and such payments constitute the sole source of payment of principal of, premium, if any, and interest payable on the Bonds (except to the extent of certain amounts, including the proceeds of the Bonds, held in certain funds under the Indenture and investment earnings thereon, available for such payment).

Description of the Bonds

The Bonds will be issued in the form of fully registered bonds without coupons and in denominations of $5,000 or any integral multiple thereof.

The Bonds will be dated their date of delivery. The Bonds will bear interest at the rates per annum and will mature, subject to redemption provisions set forth below, on the dates and in the principal amounts all as set forth on the inside cover page hereof. If the Bonds are not in book-entry form, then principal of the Bonds and any redemption premium are payable upon presentation and surrender thereof, at maturity or upon prior redemption thereof, at the corporate trust office of the Trustee in Los Angeles, California.

Interest on the Bonds will be payable on June 1 and December 1 of each year (each, an "Interest Payment Date"), commencing June 1, 2003. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (a) it is authenticated on or prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before the first record date for such series of the Bonds, in which event it shall bear interest from the closing date for the respective series of the Bonds or (c) if interest is in default with respect to a Bond, such Bond shall bear interest from the date to which interest has been previously paid thereon.

The Bonds, when issued, will be registered in the name of Cede & Co. as the registered owner and nominee of DTC. DTC will act as a securities depository for the Bonds. Individual purchases may be made in book-entry-only form. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds so purchased. **So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein and in the Indenture to the owners of the Bonds or Bond owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.** In this Official Statement, the term "Beneficial Owner" or "purchaser" shall mean the person for whom the DTC Participant acquires an interest in the Bonds. See APPENDIX F—"BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange

If the Bonds are not in book-entry form, then the Bonds may be transferred or exchanged at the principal corporate trust office of the Trustee in Los Angeles, California, provided that the Trustee shall not be required to register the transfer or exchange of (a) any Bonds during the period established by the Trustee for selection of such Bonds for redemption, or (b) any such Bond selected by the Trustee for redemption pursuant to the Indenture.

Mutilated, Lost, Destroyed or Stolen Bonds

The Authority and the Trustee shall, under certain circumstances, including, in certain cases, the provision of indemnity to the Trustee, replace Bonds which have been mutilated, lost, destroyed or stolen. The Authority may require payment of a reasonable fee and of the expenses which may be incurred by the Authority and the Trustee for each such new Bond issued to replace a Bond which has been mutilated, lost, destroyed or stolen.

Optional Redemption

The Bonds maturing on or after December 1, 2014, are subject to redemption, at the option of the Authority, on any date on or after December 1, 2013, as a whole, or in part by such maturity or maturities as directed by the Authority (or in the absence of such direction, pro rata by maturity) and by lot within a maturity, from any available moneys, including from the optional redemption by the Agency of South San Fernando Project Bonds or from any amounts received by the Trustee representing the amount due upon acceleration of any South San Fernando Project Bonds following a default under the terms of the South San Fernando Indenture, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, together with accrued interest to the date of redemption.

In the event the Authority determines to redeem Bonds, the Agency or the Authority will immediately inform the Trustee of such redemption and the Trustee will concurrently mail notice of the redemption of such Bonds. In the event that the Agency or the Authority receives notice of the redemption or acceleration of any South San Fernando Project Bonds, the Agency or the Authority will immediately inform the Trustee of such redemption and the Trustee will concurrently mail notice of the redemption of Bonds, such redemption to occur on the date fixed for such redemption of the South San Fernando Project Bonds. The proceeds of any such redemption of the South San Fernando Project Bonds will be applied by the Trustee to pay the redemption price of the Bonds pursuant to the Indenture. The redemption price of redeemed South San Fernando Project Bonds will be equal to the redemption price of a like amount of Bonds.

Mandatory Sinking Fund Redemption

The Bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption in part, by lot (as determined by the Trustee), at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following table, provided, however, that in lieu of mandatory sinking fund redemption thereof such Bonds may be purchased by the Authority pursuant to the Indenture:

Sinking Account Redemption Date (December 1)	Principal Amount To Be Redeemed or Purchased
2019	$155,000
2020	165,000
2021	175,000
2022	185,000
2023†	195,000

†Maturity

The Bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption in part, by lot (as determined by the Trustee), at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following table, provided, however, that in lieu of mandatory sinking fund redemption thereof such Bonds may be purchased by the Authority pursuant to the Indenture:

Sinking Account Redemption Date (December 1)	Principal Amount To Be Redeemed or Purchased
2024	$205,000
2025	215,000
2026	225,000
2027	240,000
2028†	250,000

†Maturity

The Bonds maturing on December 1, 2033, are subject to mandatory sinking fund redemption in part, by lot (as determined by the Trustee), at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following table, provided, however, that in lieu of mandatory sinking fund redemption thereof such Bonds may be purchased by the Authority pursuant to the Indenture:

Sinking Account Redemption Date (December 1)	Principal Amount To Be Redeemed or Purchased
2029	$265,000
2030	280,000
2031	295,000
2032	310,000
2033†	330,000

†Maturity

General Redemption Provisions

For purposes of selecting Bonds for redemption, the Bonds will be deemed to be composed of $5,000 portions and any such portions may be redeemed separately. If less than all of the Bonds of any maturity are called for redemption at any one time, and so long as the Bonds are in book-entry form with DTC as the owner, DTC will determine by lot the amount of interests of each Direct Participant in such maturity to be redeemed. In the case of a partial redemption of Bonds as described above, the Trustee, if the Bonds are no longer held in book-entry form, will select Bonds within each maturity to be redeemed by lot in any manner which the Trustee deems fair.

Notice of Redemption

Notice of redemption will be mailed no less than twenty (20) nor more than sixty (60) days prior to the redemption date to the Securities Depositories and one or more Information Services specified in the Indenture, and to the respective registered owners of the Bonds designated for redemption at their addresses appearing on the Bond registration books. Neither failure to receive such notice nor any defect in the notice so mailed nor any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner to notify the Beneficial Owner so affected will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of interest on the redemption date.

Unless the book-entry-only system shall have been discontinued, the Authority and the Trustee will recognize only DTC or its nominee as a Bond Owner. Conveyance of notices and other communications by DTC to DTC Participants and by DTC Participants to Beneficial Owners will be governed by arrangements between them, subject to any statutory and regulatory requirements as may be in effect from time to time.

From and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the Bonds so called for redemption shall have been duly provided, such 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.

SECURITY FOR THE BONDS

The Indenture

The Bonds are limited obligations of the Authority entitled to the benefits of the Indenture and are payable solely from and secured by the funds and accounts pledged therefore and held by the Trustee pursuant to the Indenture (other than amounts in the Costs of Issuance Fund) and from an assignment and pledge of the Authority's interest in the payments of principal and interest made by the Agency on the South San Fernando Project Bonds. See APPENDIX B—"SUMMARY OF THE INDENTURE AND THE SOUTH SAN FERNANDO INDENTURE—THE INDENTURE." The payment of principal of and interest on the South San Fernando Project Bonds is secured by a pledge of the Tax Revenues under the South San Fernando Indenture. See "PLEDGE OF TAX REVENUES" herein.

South San Fernando Project Bonds

The South San Fernando Project Bonds, and any Parity Debt issued under a related Agency Indenture, are secured by a pledge of and first lien on the Tax Revenues allocated and paid to the Agency from the Project Area. The South San Fernando Project Bonds are secured additionally by a pledge of and lien upon all of the moneys in the Reserve Account established pursuant to the South San Fernando Indenture. See APPENDIX B—"SUMMARY OF THE INDENTURE AND THE SOUTH SAN FERNANDO INDENTURE—THE SOUTH SAN FERNANDO INDENTURE."

The South San Fernando Indenture provides for a Reserve Account, funded from South San Fernando Project Bonds proceeds at the time of issuance of the South San Fernando Project Bonds, and required to be maintained at an amount equal to the lesser of (i) 10% of the outstanding principal amount of the South San Fernando Project Bonds, (ii) 100% of Maximum Annual Debt Service on the South San Fernando Project Bonds, or (iii) 125% of the remaining Average Annual Debt Service on the South San Fernando Project Bonds (the "Reserve Requirement").

Funds in the Reserve Account will be used to make payments of interest and principal due on the South San Fernando Project Bonds if amounts in the Interest Account or Principal Account of the Debt Service Fund established under the South San Fernando Indenture are not sufficient to make such interest or principal payments. See APPENDIX B—"SUMMARY OF THE INDENTURE AND THE SOUTH SAN FERNANDO INDENTURE—THE SOUTH SAN FERNANDO INDENTURE —Reserve Account." Pursuant to the South San Fernando Indenture, the Agency has reserved the right, with respect to all or any portion of the Reserve Requirement for the South San Fernando Project Bonds to substitute, at any time and from time to time, one or more Qualified Reserve Account Credit Instruments for cash or any Qualified Reserve Account Credit Instrument then on deposit or held in the Reserve Account.

Under the terms of the South San Fernando Indenture, the Agency may issue or incur Parity Debt with respect to the Project Area. See "PLEDGE OF TAX REVENUES—Parity Debt" herein.

PLEDGE OF TAX REVENUES

General

The Redevelopment Law authorizes the financing and refinancing of redevelopment projects through the use of tax revenues. This method provides that the taxable valuation of the property within a project area on the property tax roll last equalized prior to the effective date of the ordinance that adopts the redevelopment plan becomes the base year valuation. Thereafter, the increase in taxable valuation becomes the increment upon which taxes are levied and allocated to the applicable agency. Redevelopment agencies have no authority to levy property taxes, but must instead rely on this allocation of tax revenues to finance their activities.

Pledge and Allocation of Taxes. Under provisions of the California Constitution and the Redevelopment Law, taxes levied upon taxable property in each redevelopment project area each year by or for the benefit of the State, any city, county, city and county or other public corporation ("taxing agencies") for fiscal years beginning after the effective date of the ordinance approving the respective redevelopment plan (the "Effective Date"), are divided as follows:

(a) The portion equal to the amount of those taxes which would have been produced by the current tax rate, applied to the assessed value of the taxable property in the redevelopment project areas as last equalized prior to the Effective Date is paid (when collected) into the funds of those respective taxing agencies as taxes by or for such taxing agencies;

(b) Except as provided in subparagraph (c) below, that portion of such levied taxes each year in excess of such amount is allocated to and when collected paid into a special fund of the agency, to the extent required to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the agency to finance or refinance, in whole or in part, (i) the agency's redevelopment projects within the redevelopment project area, and (ii) under certain circumstances, publicly owned improvements outside of the redevelopment project area; and

(c) That portion of the taxes identified in subparagraph (b) above that 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 principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property approved by the voters of the taxing agency on or after January 1, 1989, shall be allocated to, and when collected shall be paid into, the fund of the taxing agency.

Possible Limitations on Tax Revenues. The Authority and the Agency have no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to Taxing Agencies that have the effect of reducing the property tax rate could reduce the amount of Tax Revenues that would otherwise be available to pay the Agency's obligations and thus reduce the amount of Revenues available to pay the principal of and interest on the Golden State Project Bonds and, therefore, the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "BONDOWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES" herein.

Tax Revenues

The term "Tax Revenues" as defined in the South San Fernando Indenture means all taxes annually allocated and paid to the Agency with respect to the Project Area pursuant to the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan for the Project Area, including 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 or attributable to modifications in the method for allocating ad valorem taxes; excluding, however, (i) Tax Revenues which are required by Section 33334.2 of the Redevelopment Law to be used by the Agency for increasing and improving the supply of low and moderate income housing, and (ii) amounts payable by the Agency under any agreements entered into pursuant to Section 33401 of the Redevelopment Law and the applicable Agency Indenture, but only to the extent such amounts are not subordinated to the payment of Annual Debt Service on the South San Fernando Project Bonds by the respective terms thereof. According to the Agency, there are, at present, no such agreements described in the preceding clause (ii) that were entered into prior to the date of issuance of the South San Fernando Project Bonds.

The South San Fernando Project Bonds are secured by and payable from the Tax Revenues from the Project Area and the amounts held in the Reserve Account established under the South San Fernando Indenture. The Tax Revenues from the Project Area represent the first amounts to be allocated from the increased tax revenues allocable to the Agency based on an increase in taxable valuation over the base year valuation property tax roll of the property within the Project Area.

In the event there shall be, on any Interest Payment Date, insufficient Tax Revenues and moneys in the Reserve Account to pay when due the full amount required to be paid on the South San Fernando Project Bonds in accordance with the applicable provisions of the South San Fernando Indenture.

No Senior Debt

The Agency may not issue bonds secured by a lien on Tax Revenues senior to the South San Fernando Project Bonds.

Parity Debt

In addition to the South San Fernando Project Bonds, the Agency may issue or incur Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any Parity Debt subject to the following specific conditions which are precedent to the issuance and delivery of such Parity Debt:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the South San Fernando Indenture;

(b) The Tax Revenues received or to be received for the then current fiscal year based on the most recent taxable valuation of property in the Project Area as evidenced in a written document from an appropriate official of the County, shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the South San Fernando Project Bonds Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt, excepting therefrom Maximum Annual Debt Service on any Refunding Debt;

(c) The aggregate amount of the principal of and interest on the South San Fernando Project Bonds, any Parity Debt and any Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limitations to be allocated and paid to the Agency following the issuance of such Parity Debt;

(d) Interest on such Parity Debt shall be payable on June 1 and December 1 in each year in which interest is payable on such Parity Debt, except the first twelve month period, during which interest may be payable on any June 1 or December 1;

(e) Principal on such Parity Debt shall be payable on December 1 in any year in which principal is payable; and

(f) Money (and/or a Qualified Reserve Account Credit Instrument) shall be deposited in a reserve account from the proceeds of the sale of such Parity Debt in an amount sufficient to provide a total amount held for the South San Fernando Project Bonds and such Parity Debt to equal the Reserve Requirement.

For purposes of calculation of the Tax Revenues in paragraph (b) above in connection with the issuance of Parity Debt, Tax Revenues shall be equal to the most recent certified assessed valuation for the Project Area, less the Base Year assessed valuation times a 1% tax rate.

Subordinate Debt

In addition to the South San Fernando Project Bonds and Parity Debt, 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 South San Fernando Indenture and the proceedings for the issuance of any Parity Debt; and

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues, then the aggregate amount of the principal of and interest to accrue on the South San Fernando Project Bonds, any Parity Debt and all Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limitations.

Low and Moderate Income Housing Requirements

Sections 33334.2 and 33334.3 of the Redevelopment Law require redevelopment agencies to set aside not less than 20% of all tax revenues derived from a redevelopment project area for which a final redevelopment plan has been adopted on or after January 1, 1977 or for any area which has been added to a project area by amendment to a redevelopment plan adopted on or after January 1, 1977 in a low and moderate income housing fund. Section 33334.2 provides that this low and moderate income housing requirement can be reduced or eliminated if a redevelopment agency finds annually by resolution the following: (a) that, consistent with the housing element of the community's general plan, no need exists in the community to improve or increase the supply of low and moderate income housing in a manner which would benefit the project area; (b) that, consistent with the housing element of the community's general plan, some stated percentage less than 20% of the tax revenues is sufficient to meet the housing needs of the community; or (c) that the community is making substantial efforts of equivalent impact, consisting of direct financial contributions of funds from local, State and federal sources for low- and moderate-income housing, to meet its existing and projected housing needs (including its share of regional housing needs).

The Project Area is subject to the set aside of 20% of Tax Revenues for low and moderate income housing.

Tax Revenues do not include that portion of Tax Revenues derived from the Project Area that are to be deposited by law into the Agency's Low and Moderate Income Fund pursuant to the Redevelopment Law.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement dated March 16, 1993, by and between the City and the Agency in accordance with the provisions of the Act. The Authority was created to provide financing for public capital improvements for the City and the Agency. Under the Act, the Authority has the power to issue bonds to pay the cost of any public capital improvement.

THE AGENCY

Authority and Management

The Agency was activated by the City Council of the City in 1970 under the Redevelopment Law with the adoption of Ordinance No. 2269. The five members of the City Council serve as the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. The Mayor serves as Chair of the Agency.

The administrative officers of the Agency are as follows:

Robert R. "Bud" Ovrom, *Executive Director*. Mr. Ovrom began as City Manager of the City on June 10, 1985. His career in local government spans 32 years with over 25 years in the position of City Manager. Mr. Ovrom's most recent position, prior to coming to the City, was City Manager of the City of Downey from May 1983 to June 1985. Before this position, he served as the City Manager of Monrovia from February 1977 to May 1983 and was its Assistant City Manager from August 1974 until his appointment to City Manager. He began his local government career in Simi Valley in 1970 and worked his way up to Assistant to the City Manager there in 1973. Mr. Ovrom received his Bachelors Degree in Political Science from the University of California, Santa Barbara, and his Masters of Public Administration degree from the University of Southern California. His professional involvement includes serving as President of the San Gabriel Valley City Managers' Association, a member of the Board of Directors of the California Redevelopment Agencies Association from 1982 to 1991 and a member of the Executive Committee of the City Managers' Department of the League of California Cities.

Derek Hanway, *Financial Services Director*. Mr. Hanway began as Financial Services Director of the City in March 1997. Mr. Hanway's most recent position, prior to coming to the City, was Director of Finance of the City of Alhambra from June 1990 to March 1997. Before this position, he was a Senior Manager at KPMG Peat Marwick from 1978 to 1990. Mr. Hanway received his Bachelors of Science degree in Business Administration from Ambassador College and his Masters in Business Administration degree with a concentration in Accounting from California State University, Los Angeles. He is a Certified Public Accountant. His professional involvement includes American Institute of Certified Public Accountants, Governmental Finance Officers' Association of the United States and Canada, and California Society of Municipal Finance Officers (CSMFO). In 2000, he served as President of CSMFO and currently serves as co-chair of its California Committee on Municipal Accounting.

Susan Georgino, *Community Development Director*. Ms. Georgino began as Community Development Director of the Agency in 2001. Her responsibilities include the oversight of the six divisions that make up the Community Development Department which include Redevelopment, Economic Development, & Housing, Planning, Building, Administration, Transportation, and License & Code Services. Ms. Georgino's most recent position, prior to coming to the Agency, was Redevelopment Services Director of the City of Brea from 1989 to 2000. Before that position she served as Assistant Community Development Director of the Agency from 1988 to 1989, various other positions in the City from 1981 to 1988 and was Deputy Executive Director of the Maravilla Foundation from 1975 to 1981. Ms. Georgino received her Bachelor's Degree in Sociology and her Master's of Public Administration degree from California State University, Los Angeles, and her Master's of Theology degree from Mount Saint Mary College. Her professional involvement includes Board of Directors, California Redevelopment Association, Board of Directors, Southern California Housing Corporation, Member, Lambda Alpha International, Member, Counselors of Real Estate, and Member, California Economic Development Association.

Agency Powers and Duties

All powers of the Agency are vested in its five members. Under the Redevelopment Law, the Agency is a separate public body and exercises governmental functions in executing duly adopted redevelopment projects. The Agency exercises all of the governmental functions authorized under the Redevelopment Law and has, among other powers, the authority to acquire, administer, develop and sell or lease property, including the right to acquire property through the power of eminent domain, and the right to issue bonds and expend the proceeds. The Agency itself does not have the power to levy taxes. The Agency can clear buildings and other improvements, can develop as a building site any real property owned or acquired, and in connection with such development can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

The Agency can cause streets and highways to be laid out and graded, and pavements, sidewalks and public utilities to be constructed and installed and can develop as a building site any real property owned or acquired. With the exception of publicly owned structures and facilities benefiting the Project Area and affordable housing projects, the Agency itself cannot construct any buildings contemplated under the Redevelopment Plan, but must convey property in the Project Area by sale or lease, for private development in conformity with the Redevelopment Plan and within any time limit fixed by the Agency for the redevelopment to occur. The Agency may, out of any funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated, to the extent that such improvements are of benefit to the Project Area, no other reasonable means of financing is available to the City, the improvements will assist in the elimination of one or more blighting conditions in the project area, and the improvements are consistent with an implementation plan that the Agency is required to adopt pursuant to the Redevelopment Law.

The Agency has designated four project areas, the highlights of which are as follows:

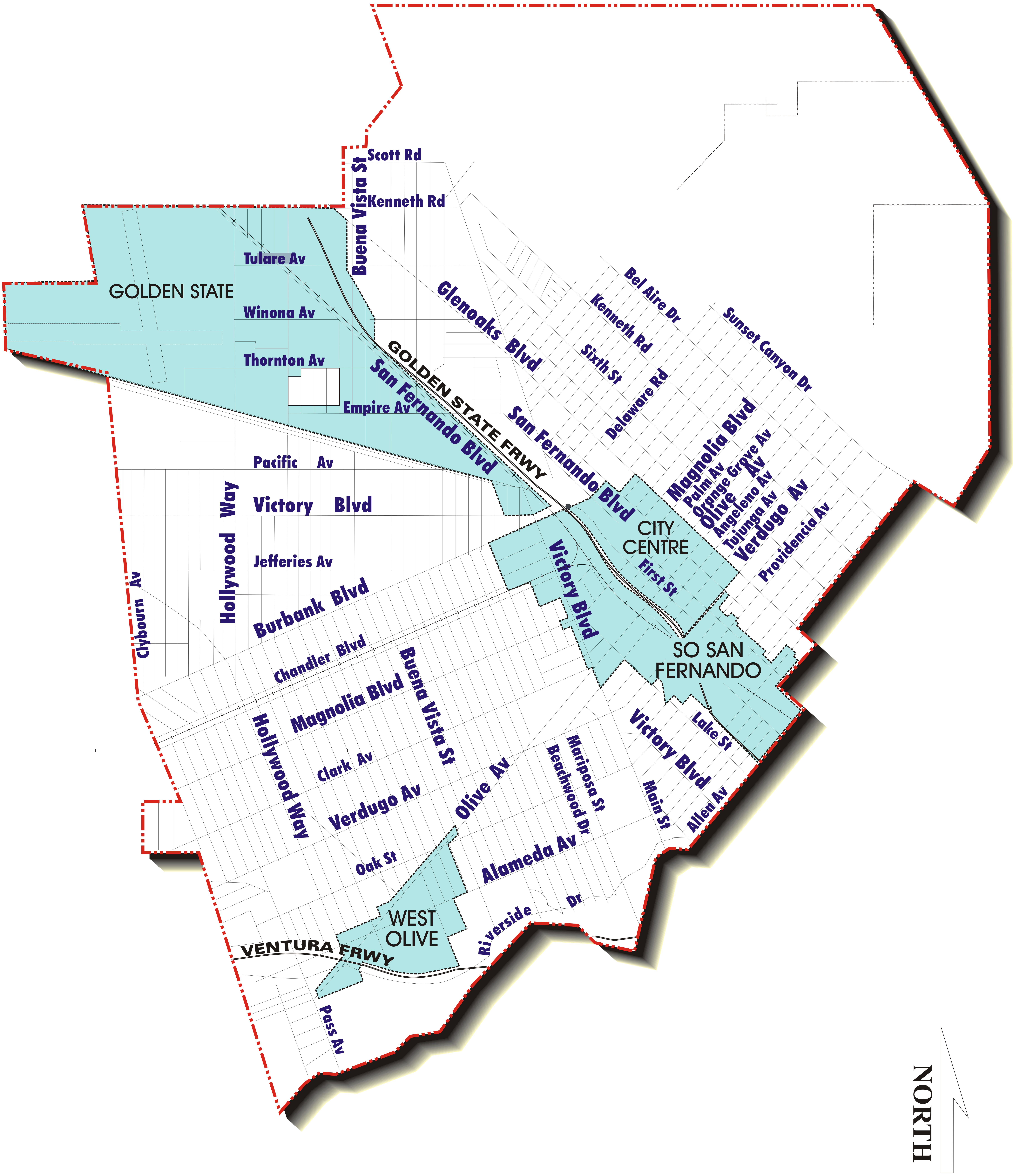
- *Golden State Project Area*—This project area, which encompasses approximately 1,107 acres, was adopted by the Burbank City Council in December 1970. The Plan was subsequently amended in January 1973 and in December 1986 to establish certain time limits and financial limits. It was last amended in October 1994 to establish certain time and financial limitations imposed by the passage of Assembly Bill 1290. The project area includes the Burbank-Glendale-Pasadena Airport and surrounding area adjacent to the Golden State Freeway. The numerous parcels that comprise this project area include removal of substandard buildings, elimination of environmental deficiencies, restructuring of obsolete street patterns and odd-shaped lot patterns, creation of new sites for commercial and industrial development, and expansion of employment opportunities.

- *City Centre Project Area*—This project area, which encompasses approximately 212 acres, was adopted by the Burbank City Council in October 1971, and was amended in July 1974, December 1986, October 1994 (per Assembly Bill 1290), and February 1999. The area encompasses City Hall and other City buildings, as well as the Media City Center Mall. The project area contains a variety of commercial and residential structures. Objectives of the City Centre Project include expansion of retail business, development of mixed-use housing and commercial facilities, elimination of detrimental land use and environmental deficiencies, and provision for overall beautification of the Burbank downtown area.

- *West Olive Project Area*—This project area, which encompasses approximately 128 acres, was originally adopted in December 1976, subsequently amended in October 1994 to establish certain time and financial limitations imposed by the passage of Assembly Bill 1290, and most recently amended in June 2001 to confirm the dollar amount of the Plan's tax increment cap at $60,000,000 net of taxing agency pass through payments and housing set aside amounts and to confirm the Project Area's time frame to collect tax increment revenue and incur debt. The Project Area consists of a mixture of residential, commercial, and media-related commercial and industrial facilities. The project encompasses the City's major medical center and several large movie, radio, and television studios. The focus of the West Olive Project has been to work with existing property owners toward upgrading and developing their facilities. The Agency has also provided for traffic reconfiguration and improvements (the Agency recently adopted a public improvement project list as part of the 2001 Plan amendment).

- *South San Fernando Project*—This project area, which encompasses approximately 467 acres, was adopted in June 1997. The project area consists primarily of commercial and industrial property with very little residential. The project area was formed to eliminate blight, encourage development of properties that incorporate or support the use of integrated intermodal, City-wide transportation, and to remove impediments to development by assembling properties into reasonable sizes and shapes. Particular attention is focused on redevelopment of the various "Opportunity Sites" within the project area, as well as working with existing property and business owners to redevelop and revitalize the project area. Other goals in the project area are to expand the commercial base, improve public facilities and public infrastructure, promote local employment opportunities, and to encourage the development, rehabilitation, and preservation of the housing stock. See "THE PROJECT AREA" herein.

A map of the City, highlighting the four project areas, is shown on the following page:



BURBANK REDEVELOPMENT PROJECT AREAS

Agency Financial Statements

The Agency presently accounts for its financial transactions through various separately constituted funds and three account groups. The Agency's audited annual financial statements for the fiscal year ended June 30, 2002, are included in APPENDIX D—"AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2002."

THE CITY

The City is located in the greater metropolitan Los Angeles area, approximately twelve miles northeast of downtown Los Angeles. The City was incorporated as a general law city on July 8, 1911, and adopted its city charter on January 13, 1927. The City's population as of January 1, 2002, is estimated to be 102,835. The City provides its residents with electric, water, sewer and refuse collection utilities and operates its own police and fire departments. See APPENDIX A—"CITY OF BURBANK."

THE PROJECT AREA

The following are summary descriptions of the Project Area. Included within these descriptions are sections discussing the present and current conditions of the Project Area and the future development within the Project Area. These descriptions have been supplied by the Agency. There can be no assurance that the future developments discussed below will be completed in the manner or in the time periods set forth.

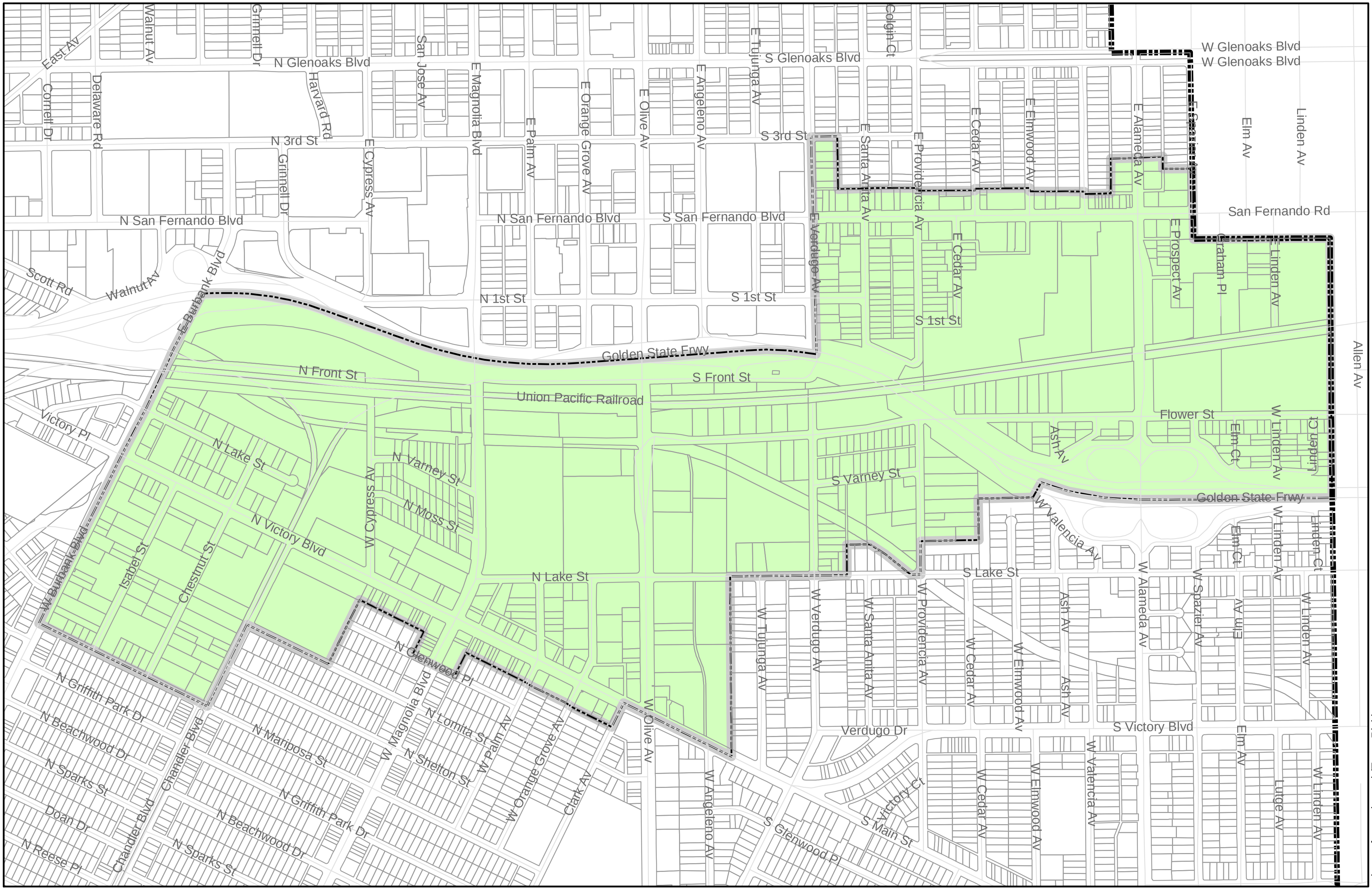
General

The Agency adopted the Redevelopment Plan for the Project Area, as described in the Redevelopment Plan, on June 10, 1997, by adoption of Ordinance No. 3468. The Project Area consists of approximately 467 acres or approximately 4.27 percent of the land area of the City. The Project Area was formed to eliminate blight, encourage development of properties that incorporate or support the use of integrated intermodal, City-wide transportation, and to remove impediments to development by assembling properties into reasonable sizes and shapes. Particular attention is focused on redevelopment of the various "Opportunity Sites" within the project area, as well as working with existing property and business owners to redevelop and revitalize the project area. Other goals in the Project Area are to expand the commercial base, improve public facilities and public infrastructure, promote local employment opportunities, and to encourage the development, rehabilitation, and preservation of the housing stock. The total assessed valuation of taxable property in the Project Area in fiscal year 2002-03 is approximately $464,694,322 with approximately $116,765,036 of such amount representing incremental assessed value in excess of the adjusted assessed valuation in the Base Year.

All real property in the Project Area is subject to the controls and restrictions of the Redevelopment Plan. The Redevelopment Plan requires that new construction shall comply with all applicable State statutes and local laws in effect, including, but not limited to, fire, building, electrical, heating, and zoning codes of the City. The Redevelopment Plan allows for commercial, residential and public uses within the Project Area. The Agency may permit an existing but nonconforming use to remain so long as the existing building is in good condition and is generally compatible with the development and uses in the Project Area. The owner of any property with a nonconforming use must be willing to enter into an owner participation agreement with the Agency and agree to the imposition of such reasonable restrictions as are necessary to protect the development and use of the Project Area.

Within the limits, restrictions and controls established in the Redevelopment Plan, the Agency is authorized to establish land coverage, setback requirements, design criteria, and other development and design controls necessary for the proper development of both private and public areas within the Project Area. However, land uses must, in any case, conform to the City's general plan as it currently exists and as it may exit in the future.

A map of the Project Area is shown on the following page:



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South San Fernando Redevelopment Project

Parcel

South San Fernando Redevelopment Area

1,000 Feet

burbank gis

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Redevelopment Plan Limitations

Sections 33333.2 and 33333.4 of the Redevelopment Law requires each redevelopment agency to either include in each redevelopment plan or to adopt by ordinance a limitation on the amount of taxes that may be divided and allocated to the redevelopment agency with respect to the related redevelopment project area. Under Section 33333.2, taxes may not be allocated to a redevelopment agency beyond this limitation except by amendment of the redevelopment plan.

The following table sets forth the applicable time limits for the Project Area:

Plan Life:	June 10, 2027
Last Date to Establish Debt:	June 10, 2017
Last Date to Repay Debt:	June 10, 2042
Cumulative Tax Increment Limit:	None
Bonded Indebtedness Limit*:	$100,000,000

*Represents the total amount of bonds that may be outstanding for the Project Area. The 2003 South San Fernando Bonds will be the only bonds issued by the Agency for the Project Area.

Redevelopment Projects

Regional Intermodal Transportation Center (RITC). The Agency played a critical role in the development of the RITC by providing funds to acquire and clean up the highly contaminated four-acre site where the RITC is currently located. Today, the RITC functions as the hub of transportation services for the eastern San Fernando Valley, with the Metrolink system serving Los Angeles, Orange, Riverside, San Bernardino and Ventura counties.

Westwind Studios. The Agency provided Westwind Studios with a $250,000 loan for their location at Alameda Avenue and Flower Street. These funds allowed Westwind to purchase adjacent properties for Phase I of their expansion plans. Ultimately, Westwind plans to acquire and improve additional adjacent properties.

South San Fernando Streetscape. This project includes streetscape improvements and a proposed new landscaped median along the San Fernando Boulevard corridor from Verdugo Avenue to Alameda Avenue. Community meetings are being in held in an effort to incorporate community feedback into the overall design process. The proposed improvements are in the design development phase. Additional project approvals are expected by the end of fiscal year 2002-03. Funding for the project has not been determined. Staff estimates that the improvements will cost $4.5 million. Construction may not occur for another two to three years.

Burbank Senior Artists Colony. This project, located at the southeast corner of San Fernando Boulevard and Verdugo Avenue, is a 141 unit senior rental housing project for persons 55 years of age and older. Under the terms of a disposition and development agreement (DDA), 30 percent or 43 units are income and rent restricted: 29 units are affordable to very low-income seniors and 14 units are affordable to low-income seniors. The Agency provided a combined $3.25 million in public financing ($2.5 million in low and moderate income and $750,000 in federal HOME funds), and the developer received $14.9 million of proceeds from an issue of multifamily housing revenue bonds. Construction is anticipated to commence in early 2003, with an estimated completion date of June 2004.

Lance Site. In 1995, the Agency purchased this one-acre site at 700-722 South San Fernando Boulevard and 206 East Cedar Avenue in the Project Area. A total of $1,388,000 in low and moderate income housing funds were expended on site acquisition, relocation and environmental. The Olson Company has submitted a proposal to develop 33 attached townhome units on this site. Thirty percent of the for-sale units (10 units) would be made affordable to moderate-income households and the remaining 23 units would be sold at market rate prices. Olson is seeking Agency assistance with land acquisition and down payment assistance for affordable units. This project is currently in the negotiation stage and no commitment has been made by the Agency.

Burbank Accessible Apartments. Federal HOME funds totaling $400,000 were committed in fiscal year 1999-00 for the construction of an 18-unit very low income independent living facility at 600 South San Fernando Boulevard. The HOME funds were obligated under a disposition and development agreement (DDA) with United Cerebral Palsy (UCP) to defray assemblage (e.g., relocation payments, hazardous material abatement and demolition) and construction costs. The Agency is to convey the site at no cost, previously purchased with $600,000 in low-moderate income housing funds, which constitutes the reuse value. On October 31, 2001, HUD notified the developer of an award of $2.148 million pending final commitment. After execution of the DDA, the amount of City funding is anticipated to increase to $750,000 (federal HOME funds) based upon construction bidding.

1102 Isabel Street. This property has been vacant for years and the building on site has sustained severe fire damage. The United States Environmental Protection Agency (USEPA) has removed the above-grade material and the Regional Water Quality Control Board may conduct sub-surface testing. It is the Agency's goal to return the site to a productive use. Once the environmental testing is complete, staff will determine how to proceed with the site.

Home Depot. Bordering the City of Glendale, Agency staff is working towards redevelopment of this former ITT site for a 140,000 square foot Home Depot store.

South San Fernando Park. Assembly of two acres for development of a community park facility, including a community school, recreation center, basketball court and play and picnic area. A second phase would add an additional five acres and include a lighted soccer field, open space and potential for additional programmed uses.

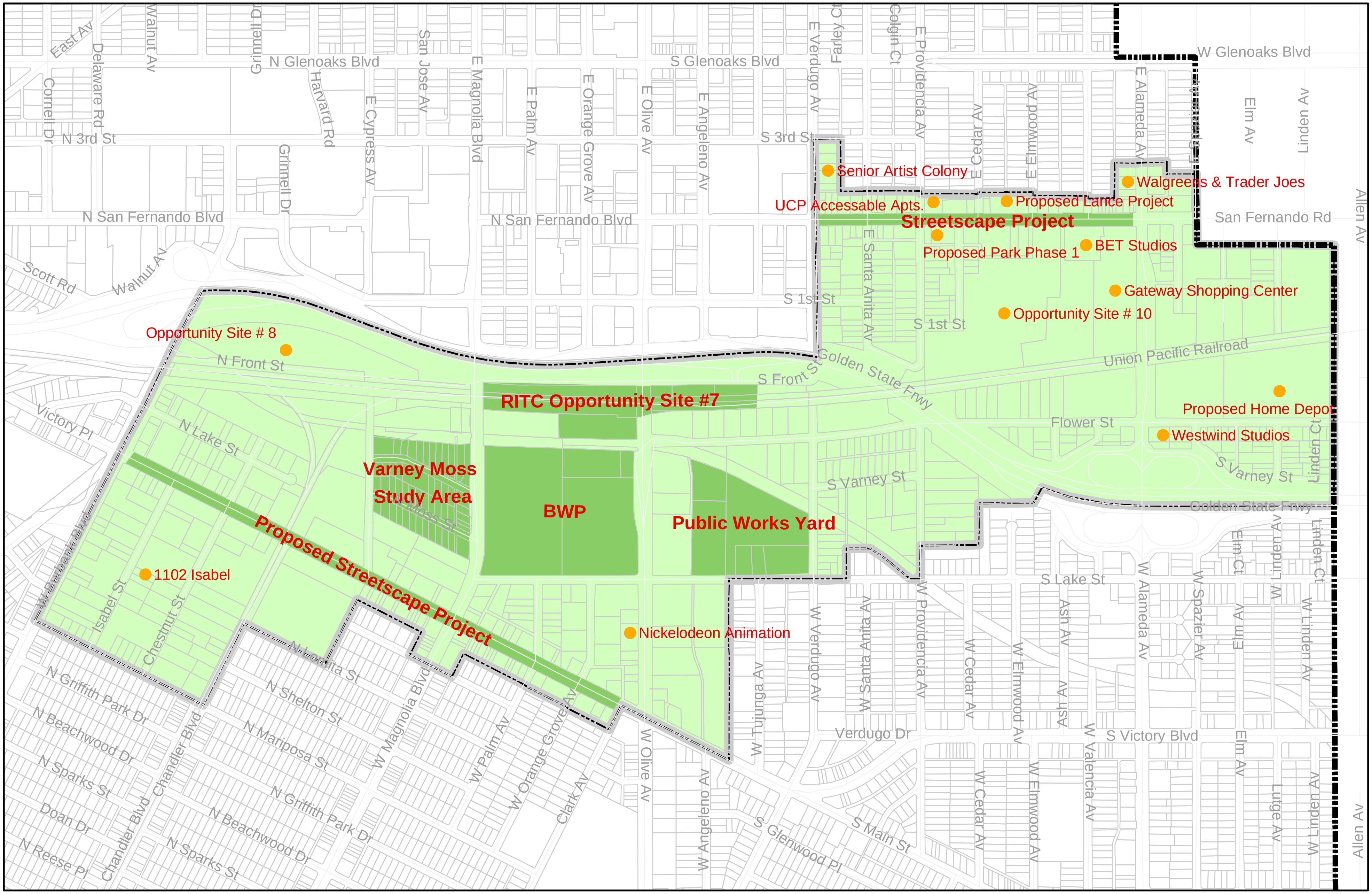
Opportunity Site No. 10 (former Menasco Site). Staff has been working with the property owner to obtain environmental information to determine the feasibility of the City acquiring a portion of the site as part of the South San Fernando Park Master Plan. Staff also continues to work with the property owner to determine the ultimate redevelopment of the 19-acre site.

Utility Undergrounding Program. Agency staff met with City and outside utilities to develop a utility undergrounding program for the Project Area. The information received from the utilities as to the extent of the utility improvements required for existing and proposed projects along the South San Fernando Boulevard corridor gave staff a clear indication that the cost of the necessary utility improvements is well beyond the Agency's financial means at this time. Staff is researching possible funding sources. For now, staff will attempt to have these improvements completed as part of future projects.

For the following projects, Agency staff facilitated development by assisting in the entitlement process, participating in the development review process and providing architectural review to ensure compatibility with the architectural integrity envisioned for the project area:

- Gateway at Burbank (Crown Development). Tenants include a 50,000 square foot Ralphs, Sav-On Drugs, Baskin Robbins, Togo's, Starbucks, and Hollywood Video.
- Walgreens. 15,000 square foot store at Alameda Avenue and San Fernando Boulevard.
- Trader Joes. 11,000 square foot store at Alameda Avenue and San Fernando Boulevard

A map of the major development sites in the Project Area are shown on the following page:



South San Fernando Redevelopment Project

Major Development Sites

Parcel

South San Fernando Redevelopment Area

Major Development Site

Major Development Area

1,000 Feet

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plnmajordev.mxd (Kevin Woodruff)

Assessed Valuation

The Base Year assessed valuation was established in fiscal year 1997 in the amount of $347,929,286. A breakdown of the fiscal year 2002-03 assessed valuation ($464,694,322) by category of use is as follows:

SOUTH SAN FERNANDO REDEVELOPMENT PROJECT
Breakdown of Assessed Valuation by Category of Use

Category	# Parcels	Net Taxable Value	%
Residential	30	$ 5,447,164	0.00*
Commercial	236	122,422,899	25.70
Industrial	301	229,670,702	48.10
Irrigated	1	59,392	0.00*
Recreational	1	405,621	0.00*
Government	1	3,587	0.00*
Miscellaneous	1	22	0.00*
Vacant Land	16	2,018,712	0.00*
Exempt	73	0	2.60
SBE Nonunitary	[20]	1,014,664	0.00*
Possessory Interest	[6]	1,214,528	0.00*
Unsecured	[625]	101,760,771	21.30
Unknown	3	676,260	0.00*
Totals:	663	$ 464,694,322	100.00

Source: Los Angeles County Assessor
*Percentages of these categories total 2.3% combined.
Note: Unsecured and possessory interest parcels are shown in brackets because they are, in reality, tax bills that are assigned to secured parcels already accounted for in other categories. The figures include the value for exempt parcels such as those owned by the City, the Agency, the State or other governmental agencies.

The following table shows the actual assessed values for fiscal years 1999 to 2002 based upon the Los Angeles County Auditor/Controller's equalized rolls and incremental values of property within the Project Area based on an exclusion of assessed values from the unsecured roll.

SOUTH SAN FERNANDO REDEVELOPMENT PROJECT
Historical Taxable Values and Tax Increment Revenues
Fiscal Years Ended June 30,

	1998-99	1999-00	2000-01	2001-02
Assessed Values				
Secured	$261,603,248	$288,252,138	$307,820,834	$342,360,190
Unsecured	0*	103,196,494	106,191,648	101,810,923
Total Assessed Values	261,603,248	391,448,632	414,012,482	444,171,113
Base Year Values	(347,929,286)	(347,929,286)	(347,929,286)	(347,929,286)
Incremental Assessed Values	(86,326,038)	43,519,346	66,083,196	96,241,827
Gross Tax Revenues	42,409	597,016	831,179	1,266,987
Less:				
SB 2557 Administration Fee	5,568	8,358	13,014	18,457
AB 1290 Tax Sharing**	6,651	61,182	141,474	204,496
Housing Set-Aside	6,402	116,281	165,820	253,336
Total Deductions	18,621	185,821	320,308	476,289
Net Revenues	23,788	411,195	510,871	790,698

Source: County of Los Angeles.
* LA County has a one year delay in implementing changes to unsecured tax roll.
** The AB 1290 tax sharing payment to the City was deferred.

The following table shows the ten largest property taxpayers, by revenue, in the Project Area.

SOUTH SAN FERNANDO REDEVELOPMENT PROJECT
Largest Fiscal Year 2002-03 Property Taxpayers, by Revenue

Property Owner	Primary Land Use	2002-03 Projected Revenue	% of Total (1)
CH Anaheim Limited	Office and Entertainment	$ 89,206	7.88%
Crown Burbank Associates LLC	Retail	65,403	5.77
Ford Leasing Development Company	Vacant—Zoned Auto	63,528	5.61
QLX Photoprocessing Inc.	Film Developing	47,360	4.18
231 W. Olive Partners Limited	Entertainment/Studio	43,107	3.81
Westwind Properties LLC	Entertainment/Studio	41,274	3.64
Gary A. and Eva M. Bandy	Computer Research	38,625	3.41
Extra Space Properties Three LLC	Self-Storage Facility	37,615	3.32
West Coast Industries	Entertainment/Studio	31,128	2.75
Oroamerica Inc.	Jewelry manufacturing	30,738	2.71
Total		$487,988	43.08%

Source: Los Angeles County Assessor 2002-03 Secured and Unsecured Tax Rolls
(1) The total revenue for fiscal year 2002-03 is projected to be $1,132,621.

The following table shows the ten largest property taxpayers, by assessed value, in the Project Area.

SOUTH SAN FERNANDO REDEVELOPMENT PROJECT
Largest Fiscal Year 2002-03 Property Taxpayers, by Assessed Value

Property Owner	Primary Land Use	2002-03 Assessed Valuation	% of Total (1)
CH Anaheim Limited	Office and Entertainment	$ 19,351,440	4.16%
Crown Burbank Associates LLC	Retail	14,187,934	3.05
Ford Leasing Development Company	Vacant—Zoned Auto	13,781,117	2.97
Westwind Properties LLC	Entertainment/Studio	10,761,340	2.32
QLX Photoprocessing Inc.	Film Developing	10,273,918	2.21
231 W. Olive Partners Limited	Entertainment/Studio	9,351,340	2.01
Gary A. and Eva M. Bandy	Computer Research	8,379,044	1.80
Extra Space Properties Three LLC	Self-Storage Facility	8,160,000	1.76
West Coast Industries	Entertainment/Studio	6,752,643	1.45
Oroamerica Inc.	Jewelry manufacturing	6,668,014	1.43
Total		$107,666,790	23.17%

Source: Los Angeles County Assessor 2002-03 Secured and Unsecured Tax Rolls
(1) The total taxable value for fiscal year 2002-03 is $464,694,322.

Annual Tax Receipts to Tax Levy

The County apportions tax revenues to redevelopment agencies based upon the amount of the tax levy that is received from the taxpayers. The following table illustrates the tax revenue collections for previous three fiscal years.

SOUTH SAN FERNANDO REDEVELOPMENT PROJECT
Tax Revenue Collections

Fiscal Year	Secured Tax Levy	Unsecured Tax Levy	Total Apportionment	Current Year Collections	Current Collections Percentage	Prior Year Collections	Total
1998-99	$40,503	—	$ 40,503	$ 39,644	97.9%	$ 2,764	$ 42,409
1999-00	396,009	122,415	518,424	506,015	97.6%	91,001	597,016
2000-01	668,347	141,017	809,364	774,572	95.7%	56,608	831,179
2001-02	926,955	185,386	1,112,342	1,075,265	96.7%	191,721	1,266,987

Source: Los Angeles County Auditor-Controller's Office, Disbursement Tax Division "CRA Remittance Advice".
(1) Prior Year Collections include supplemental revenue, reductions for taxpayer refunds and revenue from prior years.

Appeals of Assessed Values

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the 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 Appeals Board may set its 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 application is made and during which the written application was filed. After a reduction is allowed, the property is reviewed on an annual basis to determine its full cash value and the valuation may be adjusted accordingly. This may result in further reductions or increases in value. Such increases are in accordance with the actual cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it is once again subject to the annual inflationary growth rate allowed under Article XIIIA.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively after that. 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.

Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

The following table shows the appeal history since 1997-98.

GOLDEN STATE REDEVELOPMENT PROJECT
Appeal History

Lien Year	Total Appeals	Resolved Appeals	Successful Appeals	Successful Original Value	Successful Appeal Value Loss
1997-98	26	25	7 (28.00%)	$ 4,902,465	$928,465 (18.94%)
1998-99	22	21	4 (19.05%)	1,723,581	475,581 (27.59%)
1999-00	9	7	6 (85.71%)	11,996,652	2,880,363 (24.01%)
2000-01	17	10	7 (70.00%)	8,693,222	1,651,168 (18.99%)
2001-02	16	2	2 (100.00%)	3,872,801	642,801 (16.60%)
Totals	90	65	26 (40.00%)	$31,188,721	$6,578,378 (21.09%)

Source: Los Angeles County Assessor

There are 25 appeals currently pending on properties within the Project Area. These owners have appealed valuations totaling approximately $102,900,000. Projected assessed values for fiscal year 2002-03 have been adjusted for this estimated loss in value. Reductions in revenue for refunds that may result from these appeals, if successful, have not been estimated. No property owner among the ten largest secured property owners has a current pending appeal.

Tax Increment Revenue Projections and Debt Service Coverage

The following table sets forth the projected growth in tax increment revenues over the next five years. The projected growth in real property taxable values includes anticipated value added from the identified new developments identified under the subheading "The Redevelopment Plan" above, and the maximum annual inflationary factor allowed under Proposition 13 (2%). Future personal property values are assumed to stabilize at the previous year level such table also shows the debt service coverage in each such year.

SOUTH SAN FERNANDO REDEVELOPMENT PROJECT
PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE

	2002-03	2003-04	2004-05	2005-06	2006-07
Assessed Values					
Secured	$362,933,551	$370,192,222	$398,676,066	$406,649,587	$414,782,579
Unsecured (1)	101,760,771	103,795,986	105,871,906	107,989,344	110,149,131
Total Assessed Values	464,694,322	473,988,208	504,547,972	514,638,931	524,931,710
Base Year Values	(347,929,286)	(347,929,286)	(347,929,286)	(347,929,286)	(347,929,286)
Incremental Assessed Values	116,765,036	126,058,922	156,618,686	166,709,645	177,002,424
Tax Rate	1.0%	1.0%	1.0%	1.0%	1.0%
Tax Increment	1,132,621	1,222,772	1,519,201	1,617,084	1,716,924
Delinquency factor (3%)(2)	(33,979)	(36,683)	(45,576)	(48,513)	(51,508)
Gross Tax Revenues	1,098,642	1,186,089	1,473,625	1,568,571	1,665,416
Less:					
SB 2557 Admin Fee	23,000	24,211	30,080	32,018	33,995
AB 1290 Tax Sharing	219,728	237,218	294,725	313,714	333,083
Housing Set-Aside	219,728	237,218	294,725	313,714	333,083
Total Deductions	462,457	498,646	619,530	659,447	700,162
Net Revenues	636,185	687,442	854,095	909,125	965,255
Bond Debt Service	80,197	346,614	344,914	348,051	345,869
Debt Service Coverage (3)	7.93x	1.98x	2.48x	2.61x	2.79x

Source: The Agency.
(1) Increased 2% per year; Assumes Burbank Senior Artists Colony project increases assessed value by $20Million in fiscal year 2004-05 and 600 So. San Fernando project increases assessed value by $1,080,000 in fiscal year 2004-05. See "THE PROJECT AREA—Redevelopment Projects" herein.
(2) Delinquency includes amounts lost due to appeals and non-payments.
(3) Equals Net Revenues divided by Bond Debt Service.

The foregoing projection reflects the Agency's understanding of the assessment and tax apportionment procedures employed by the County. The County procedures are subject to change as a reflection of policy revisions or legislative mandate. While the Agency believes the estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

No assurances are provided by the Agency as to the certainty of the projected tax increment revenues shown on the foregoing table. Actual revenues may be higher or lower than what has been projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due.

BONDOWNERS' RISKS

The following information should be considered by prospective investors in evaluating whether to invest in the 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 Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligations

NEITHER THE BONDS, NOR THE OBLIGATIONS OF THE AGENCY UNDER THE SOUTH SAN FERNANDO INDENTURE ARE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY AND THE AGENCY, RESPECTIVELY, TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS ARE LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE FROM AND SECURED BY AN ASSIGNMENT OF AMOUNTS PAYABLE BY THE AGENCY ON THE SOUTH SAN FERNANDO PROJECT BONDS AND, IF NEEDED (AND ONLY WITH RESPECT TO THE INSURED BONDS), THE OBLIGATIONS OF THE AGENCY UNDER THE SOUTH SAN FERNANDO INDENTURE AND THE SOUTH SAN FERNANDO PROJECT BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE ONLY OUT OF CERTAIN FUNDS OF THE AGENCY AS SET FORTH IN THE SOUTH SAN FERNANDO INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NONE OF THE MEMBERS OF THE AUTHORITY OR THE AGENCY OR THE CITY COUNCIL OR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

No Acceleration on Default

The Indenture does not provide for an acceleration of the principal of the Bonds following the occurrence of an Event of Default under and as defined in the Indenture. The South San Fernando Indenture does not contain provisions with respect to the acceleration of the Agency's obligations thereunder upon the occurrence of an event of default under the South San Fernando Indenture.

In the event of default under the South San Fernando Indenture, as a practical matter, the Trustee will be limited to obtaining the moneys in the debt service funds held under the South San Fernando Indenture and enforcing the covenant of the Agency to pay the Tax Revenues on an annual basis to the extent of such Tax Revenues. No real or personal property in the Project Area is pledged to secure the South San Fernando Project Bonds and it is not anticipated that the Agency will have available moneys sufficient to pay any of the South San Fernando Project Bonds in full upon the occurrence of an event of default.

Bankruptcy

The various legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to the enforceability of the various legal documents by limitations imposed by bankruptcy, reorganization, insolvency, fraudulent conveyance or other laws affecting rights of creditors generally. If any of such limitations are imposed, they may adversely affect the ability of the Trustee and the Bond owners to enforce their claims and assert their rights under the Indenture or the South San Fernando Indenture.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority has covenanted in the Indenture and the Agency has covenanted in the South San Fernando Indenture to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended. The interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the Authority, the City or the Agency in violation of this or other covenants in the Indenture and the South San Fernando Indenture, respectively. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain Outstanding until maturity or prior redemption under one of the redemption provisions contained in the Indenture. See "MISCELLANEOUS—Tax Matters" herein.

Risks Related to the South San Fernando Project Bonds

Reduction in Taxable Values. Tax Revenues allocated to the Agency by the State and the County, which Tax Revenues constitute the primary source of payment of principal of, premium, if any, and interest on the Bonds, as discussed herein, are determined by the amount of the incremental taxable value of property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in each of the Project Area. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the complete or partial destruction of such property caused by, among other calamities, an earthquake, fire, flood or other natural disaster, could cause a reduction in the Tax Revenues securing the South San Fernando Project Bonds and, therefore, the Bonds. Such reduction of the Tax Revenues securing the South San Fernando Project Bonds could have an adverse effect on the Agency's ability to make timely payments of principal and interest on the South San Fernando Project Bonds. Real property values and taxable valuations of real property in some parts of California have declined. As a consequence of the decline in property values, property owners may seek a reevaluation of their real property. If such valuation were reduced, Tax Revenues available to pay debt service on the Bonds would also decline. The Agency does not expect this to materially affect its ability to pay the Bonds on a timely basis.

The pledge of the Tax Revenues created under the South San Fernando Indenture is subject to the Agency's obligation to make deposits to a low and moderate income housing fund pursuant to the Redevelopment Law.

Changes in the Law. Chapter 68, Statutes of 1993, companion legislation to the State Budget Act of 1993 (Chapter 55, Statutes of 1993), required redevelopment agencies, including the Agency, to pay a portion of its revenues into a special fund for the benefit of local schools for the 1994-95 fiscal year. There is no assurance that in addition to these and other limitations on tax revenues described herein under "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS," the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Tax Revenues payable to the Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Revenues and adversely affect the security of the South San Fernando Project Bonds.

Reductions in Inflationary Rate. As described in greater detail below, Article XIIIA of the California Constitution 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 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. In setting forth the Tax Revenues to be received by it to make payments with respect to the South San Fernando Project Bonds, the Agency has not assumed 2% inflationary increases. The Tax Revenues are based on the latest actual amounts received by the Agency. However, decreases in property values could cause a reduction in Tax Revenues received by the Agency and could result in reduced Tax Revenues available to pay the South San Fernando Project Bonds. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

Levy and Collection of Taxes. The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the South San Fernando Project Bonds and on the Authority to pay debt service on the Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Agency's ability to make timely South San Fernando Project Bond payments.

Real Estate and General Economic Risks. As hereinbefore stated in the above paragraph captioned "Reductions in Inflationary Rate" and as demonstrated hereinbefore in the tables under the caption "Debt Service Coverage", in the section of this Official Statement entitled "TAX REVENUES AND DEBT SERVICE", Tax Revenues as presented herein as available for payment of any indebtedness of the Agency are based upon the latest actual amounts for the 2001-02 fiscal year. Redevelopment of real property within the Project Area by the Agency, as well as private development in the Project Area, may be adversely affected by changes in general economic conditions, fluctuations in the real estate markets and interest rates, unexpected increases in development costs, changes in or new governmental policies, including governmental policies to restrict or control certain kinds of development and by other similar factors. If development and redevelopment activities in the Project Area encounter significant obstacles of the kind described herein or other impediments, the economy of the Project Area could be adversely affected, causing reduced taxable valuation of property in the Project Area, a reduction of the Tax Revenues and a consequent reduction in Tax Revenues available to repay the South San Fernando Project Bonds. If there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Agency from the Project Area.

Concentration of Land Ownership. Ownership of property within the Project Area is concentrated within a number of owners, some of which are responsible for a significant percentage of the property taxes allocated to the Agency from the Project Area. A default by several owners of a significant percentage of the property within the Project Area in the payment of their property taxes could materially and adversely affect the ability of the Agency to pay debt service on the South San Fernando Project Bonds.

Estimates of Tax Revenues. In estimating that the total Tax Revenues to be received by the Agency will be sufficient to pay debt service on the South San Fernando Project Bonds, the Agency has relied on the actual historical Tax Revenues and made certain assumptions with regard to future assessed valuation in the Project Area, future tax rates and the percentage of taxes collected. The 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 total Tax Revenues available to pay debt service on the South San Fernando Project Bonds will be reduced. Such reduced Tax Revenues may be insufficient to provide for the payment of debt service on the South San Fernando Project Bonds and hence the Bonds. See "PLEDGE OF TAX REVENUES" herein.

Hazardous Substances. An additional environmental condition that may result in the reduction in the assessed value of parcels in the Project Area would be the discovery of a hazardous substance that would limit the beneficial use of the property. In general, the owners and operators of an assessed parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as CERCLA or the Superfund Act, is the most well known and widely applicable of these laws but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition on the 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 assessed parcels be affected by a hazardous substance would be to reduce the marketability and value of the parcel by the costs of remedying the condition, since the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Seismic Considerations The areas in and surrounding the City, like those in much of California, may be subject to unpredictable seismic activity. Although no active or inactive fault lines pass through, or near, the City, if there were to be an occurrence of severe seismic activity in the City, there could result in substantial damage to the property in the Project Area resulting in a reduction in Tax Revenues.

State Budget. In connection with its approval of the budget for the 1992-93, 1993-94 and 1994-95 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas. However, faced with a projected $23.6 billion budget gap for fiscal year 2002-03, the State Legislature adopted as urgency legislation AD1768, which requires redevelopment agencies to pay into ERAF in fiscal year 2002-03 an aggregate amount of $75 million. AD1768 became effective on September 30, 2002 and requires the payment into ERAF in fiscal year 2002-03 only.

AD1768 provides that one-half of the Agency's ERAF obligation is calculated based on the gross tax increment received by the Agency and the other one-half of the Agency's ERAF obligation is calculated based on net tax increment revenues (after any pass-through payments to other taxing entities). The Agency will be required to pay approximately $860,000 into ERAF in fiscal year 2002-03, of which approximately $232,000 is expected to be paid from Tax Revenues.

The Agency's ERAF obligation in fiscal year 2002-03 will not impair the Agency's ability to pay debt service on the Golden State Bonds. The Agency cannot predict whether the State Legislature will enact legislation requiring deposits into ERAF in future years.

On November 14, 2002, the Legislative Analyst's Office released a fiscal outlook for the State which estimated that California will end the 2002-03 fiscal year with a general fund deficit of $6.1 billion, and that, absent corrective actions, the budget for fiscal year 2003-04 would have a cumulative year-end deficit of $21.1 billion (or possibly a greater deficit if California's economic performance continues to lag). Governor Gray Davis estimated, in early January 2003, that the budget for fiscal year 2003-04 would have a cumulative year-end deficit of approximately $35 billion and made several proposals for addressing the situation, including income and sales tax increases and a proposal requiring that the school district share of property tax revenue resulting from growth in assessed value in redevelopment project areas, which is currently retained by the agencies, be passed through to schools beginning at the level of $250 million in 2003-04 and increasing to the full amount of diverted property taxes over time. Such proposals are subject to the legislative process and the final form and extent of such legislation, if adopted, cannot be predicted. Therefore, the impact that current and future State fiscal shortfalls will have on Tax Revenues is unknown at this time.

LIMITATIONS ON TAX REVENUES

Property Tax Limitations—Article XIIIA

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the fiscal year 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in October 1986 by initiative which exempts any bonded indebtedness approved by two-thirds (55% in certain instances) of the votes cast by the voters for the acquisition or improvement of real property from the one percent limitation.

On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases.

In the general elections of 1986, 1988 and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the full cash value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment has reduced the local property tax revenues. Other amendments permitted the Legislature to allow persons over 55 who sell their residence on or after November 5, 1986, to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within the county and the original property is located in another county within California.

In the October 1990 election, the voters approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction," triggering reassessment, improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Challenges to Article XIIIA

The U.S. Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia, which had resulted in vastly different assessments of similar properties. Since Proposition 13 provides that property may only be reassessed up to two percent per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. The Supreme Court in the West Virginia case expressly declined to comment in any way on the constitutionality of Proposition 13.

Based on the decision in the West Virginia case, property owners in California brought three suits challenging the acquisition value assessment provisions of Article XIII A. Two cases involved residential property, and one case involved commercial property. In all three cases, State trial and appellate courts have upheld the constitutionality of Article XIII A's assessment rules and concluded that the West Virginia case did not apply to California's laws. On June 3, 1991, the U.S. Supreme Court agreed to hear the appeal in the challenge relating to commercial property, but the plaintiff subsequently withdrew its case. On June 18, 1992, the U.S. Supreme Court upheld the decision in *Nordlinger v. Hahn*, one of the challenges relating to residential property.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA.

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

Unitary Property

Assembly Bill 454 Statutes of 1987, Chapter 921 ("AB 454"), provided that revenues derived from Unitary Property (consisting mostly of operations property owned by utility companies), commencing with fiscal year 1988-89, will be allocated as follows: (1) for revenues generated from the one percent tax rate, (a) each jurisdiction, including redevelopment project areas, will receive a percentage up to 102 percent of its prior year State-assessed unitary revenue; and (b) if county-wide revenues generated from Unitary Property are greater than 102 percent of the previous year's revenues, each jurisdiction will receive a percentage share of the excess unitary revenues by a specified formula, and (2) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. This provision applies to all Unitary Property except railroads whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of assessment of any State-assessed properties nor a revision of the method of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions within a county.

On February 1, 1991, the Superior Court for the County of Sacramento issued a Statement of Decision in *AT&T Communications of California, et al. v. State Board of Equalization* which reduced the valuation of certain unitary property owned by AT&T for property tax purposes. Under the decision, the valuation method used by the State Board of Equalization to assess unitary public utility property was declared illegal and a new method of valuation, resulting in significantly lower values and therefore significantly lower potential property tax revenues, was imposed. The effect on AT&T's statewide assessed value was to reduce it from approximately $1,750,000,000 to approximately $1,100,000,000. As a result of this case, on May 1, 1992, 57 of California's 58 counties, the State Board of Equalization and a number of other utility companies whose unitary property valuations could be affected by the principles announced in the Superior Court decision entered into a settlement agreement. On July 14, 1993, the Superior Court for the County of Sacramento entered a judgment validating the settlement agreement.

Although the settlement agreement is complex and extensive, its substance is represented by the signatory public utilities' agreement (except AT&T) to abandon their right to refunds since 1983 in return for lowered assessed valuations for the next eight fiscal years pursuant to an agreed formula.

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 project areas, therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base year. This amount is reasonably consistent with the unitary revenue allocations made to the Agency in prior years. Within the South San Fernando Project Area, the Auditor Controller has allocated $0.00 in unitary tax revenue to the Agency for fiscal year 2001-02.

In response to the recent energy crisis in California, the Governor has proposed that the State acquire the electrical transmission line system from the current utility company owners. This proposal is still under consideration and it is unknown at this time whether or not it will be implemented. Additionally, the consequences of such an acquisition are unknown. It is possible, however, that this plan, if implemented, may render the transmission system tax exempt, thus, eliminating this value from the State Board of Equalization taxable rolls and reducing the amount of unitary taxes collected and distributed. The impact of this reduction, if any, would be proportionately allocated throughout the County.

Property Tax Collection Procedures

Classifications. In California, 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 the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) 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; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the 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 property securing the taxes to the State for the amount of taxes which are delinquent.

Penalties. 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 on or about June 30 of the 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 and a $15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to the roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Supplemental Assessments. Legislation enacted in 1983 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction.

Chapter 498 provided increased revenue to redevelopment agencies 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 State supplemental assessments occur within the Project Area, the Tax Revenues for the Project Area may increase.

Tax Collection Fees. In 1990, the State Legislature enacted Senate Bill 2557 (Chapter 466, Statutes of 1990) ("SB 2557") which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Two recent decisions have interpreted the provisions of SB 2557 and have upheld the inclusion of redevelopment agencies as a local government agency which must share the cost of property tax administration. The 1992 enactment of Senate Bill 1559 (Chapter 697) and the decision of the California Court of Appeal in *Arcadia Redevelopment Agency v. Ikemoto* have clarified that redevelopment agencies, such as the Agency, are to share in the cost of property tax administration charged by most California counties, including the County. During fiscal years

2000-01 and 2001-02, the County withheld approximately $451,008 and $456,742 respectively, from the Agency for such administrative costs.

Appropriations Limitations—Article XIIIB

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. The principal effect of Article XIIIB is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIIIB, nor will such portion of taxes be deemed receipt 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.

State Board of Equalization and Property Assessment Practices

On December 10, 1998, the State Board of Equalization ("SBOE") approved revisions to its guidelines regarding the valuation of intangible business and commercial property for property tax purposes. The SBOE approved these revisions over the strong objections of the California Assessors Association ("CAA"), an organization representing all 58 County Assessors in California.

The Agency is not able to predict whether the revised SBOE guidelines will cause any reductions in tax increment revenues and, hence, in Tax Revenues. However, the Agency does not believe that the SBOE's adoption of the revised guidelines will affect its ability to pay debt service on the Loan.

Exclusion of Tax Revenues for General Obligation Bonds Debt Service

An initiative to amend the California Constitution entitled "Property Tax Revenues Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increased its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness.

The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness. The Agency does not receive a significant amount of tax increment as a result of general obligation bond tax levies.

Proposition 218

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 XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Tax Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

AB 1290

In 1993, the California 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. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. See "THE PROJECT AREA—Redevelopment Plan Limitations" herein.

The Agency's Redevelopment Plan was amended to comply with AB 1290.

SB 211

Senate Bill 211 ("SB 211"), which was adopted in 2001 and took effect as of January 1, 2002, allows redevelopment agencies, by ordinance, to eliminate the time limit on establishing indebtedness (meaning the redevelopment agency could incur debt up to the end of the effectiveness of its redevelopment plan), but would in turn trigger statutory pass-throughs to all taxing entities with whom the redevelopment agency does not have a pass-through agreement at the time the ordinance is adopted. If the Agency chooses to eliminate the Agency's existing tax increment indebtedness limit as permitted by SB211, the statutory pass-throughs would apply starting in the year after what is now the final year to incur indebtedness. To date, the Agency has not determined to eliminate such time limit.

Future Initiatives

Article XIIIA, Article XIIIB and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

Low and Moderate Income Housing

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the law requiring redevelopment agencies to set aside 20% of all tax increment revenues allocated to redevelopment agencies from redevelopment project areas adopted after December 31, 1976, in a low- and moderate-income housing fund to be expended for authorized low- and moderate-income housing purposes. Amounts on deposit in the low- and moderate-income housing fund may also be applied to pay debt service on bonds, loans or advances of redevelopment agencies to provide financing for such low- and moderate-income housing purposes.

The Project Area is subject to the 20% set-aside requirement for low- and moderate-income housing. These revenues are therefore not included in the Tax Revenues securing the South San Fernando Project Bonds.

Statement of Indebtedness

Under the Redevelopment Law, the Agency must file with the County Auditor a statement of indebtedness for the Project Area by October 1 of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the South San Fernando Project Bonds and all Parity Debt) (the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year.

"Available Revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment revenues and other revenues) received during the previous fiscal year, plus any carry-forward from the prior fiscal year. Available Revenue include amounts held by the Agency and irrevocably pledged to the payment of Debt other than amounts set aside for low- and moderate-income housing.

The County Auditor may only pay tax increment revenue to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes prima facie evidence of the indebtedness of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 of the Redevelopment Law provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for Superior Court determination of such dispute if it cannot be resolved by the Agency and the County. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or its related contract or expenditures. No challenge can be made to payments to a trustee in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

MISCELLANEOUS

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

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

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

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

Certain Legal Matters

Quint & Thimmig LLP, San Francisco, California, Bond Counsel and Disclosure Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and as to the validity of and tax-exempt status of the interest on the Bonds. Copies of such approving opinion is set forth in APPENDIX C—"FORM OF BOND COUNSEL OPINION." The fees being paid to Bond Counsel and Disclosure Counsel are contingent upon the execution and delivery of the Bonds. In addition, certain legal matters will be passed on for the Authority and the Agency by the City Attorney. Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon the sale and delivery of the Bonds.

Absence of Litigation

To the best knowledge of the Authority and the Agency there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental authority or body pending or threatened against the Authority and the Agency to restrain or enjoin the authorization, execution or delivery of the Bonds or the collection of the payments to be made pursuant to the Indenture or the South San Fernando Indenture, or in any way contesting or effecting the validity of the Bonds, the South San Fernando Project Bonds, the Indenture or the South San Fernando Indenture.

Underwriting

E.J. De La Rosa & Co., Inc., (the "Underwriter") has agreed to purchase the Bonds at a price of $5,076,946.25 representing the principal amount of the Bonds, less an original issue discount of $124,837.70 and less an underwriter's discount of $33,216.05. The agreement pursuant to which the Underwriter will purchase the Bonds provides that the Underwriter will purchase all of the Bonds if any of the Bonds are purchased.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the cover page of the Official Statement. The offering prices may be changed from time to time by the Underwriter.

Continuing Disclosure

The Agency has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than March 31 following the end of the fiscal year (currently their fiscal years end on June 30) (the "Annual Report"), commencing with the fiscal year ending June 30, 2003, and to provide notices of the occurrence of certain enumerated events, if material.

The Annual Report will be filed by the Trustee as Dissemination Agent with each Nationally Recognized Municipal Securities Information Repository, and notices of material events will be filed by the Dissemination Agent with the Municipal Securities Rulemaking Board. The Annual Report and notices will also be filed with any entity designated by the State as a state repository for continuing disclosure information. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

The Agency has not failed to make any filings in connection with prior obligations under the Rule.

Rating

Standard & Poor's Ratings Services has assigned its municipal bond ratings of "BBB" to the Bonds. Such rating reflects only the views of such organization and an explanation of the significance of such rating may be obtained from them as follows: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10004, (212) 438-2124. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Concluding Information

All the summaries contained herein of the Indenture, the South San Fernando Indenture, applicable legislation and other documents are made subject to the provisions of such documents and legislation, 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 Trustee for further information in connection therewith.

Insofar as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any such statements made will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract between the Authority, the Agency or the City, and the Bond Owners or Beneficial Owners.

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

BURBANK PUBLIC FINANCING
AUTHORITY

By /s/ Robert R. "Bud" Ovrom
Executive Director

REDEVELOPMENT AGENCY OF THE
CITY OF BURBANK

By /s/ Robert R. "Bud" Ovrom
Executive Director

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APPENDIX A

CITY OF BURBANK

The following information is presented as general background data. The Bonds are payable solely from Tax Revenues and other sources as described in the Official Statement, and are not a debt of the City of Burbank. The taxing power of the City of Burbank, the State or any political subdivision thereof is not pledged to the payment of the Bonds. See the section of this Official Statement entitled "SECURITY FOR THE BONDS AND THE LOAN."

General

The City of Burbank, California (the "City" or "Burbank") is located in the greater metropolitan Los Angeles area, approximately 12 miles northeast of the Los Angeles Civic Center complex. The economy represents a diverse blend of commercial and residential development. The City is the home of several major entertainment industry firms, including NBC, Warner Brothers and Walt Disney Company. Burbank is a mature community that experienced very little population growth in the later 1970's, modest population growth in the early 1980's, and slightly faster population growth in the late 1980's and early 1990's. See "Population" below.

Municipal Government

The City was incorporated as a general law city in 1911, and adopted its city charter in 1927. Burbank is administered by a Council-Manager form of government. The five City Council members, one of whom serves as Mayor, are elected at-large for four-year terms. Elections are staggered at two year intervals.

The City operates 22 parks, a golf course and 3 libraries.

As of June 30, 2002, the City had 1,629 employees, with 1,232 full-time, 200 part-time, 130 temporary and 67 seasonal employees. Six associations represented the City's employees: the Burbank City Employees' Association, represented 865 employees; the Burbank Firefighters Local, represented 118 employees; the Burbank Police Officers' Association, represented 155 employees; the International Brotherhood of Electrical Workers Local 18, represented 135 employees; the Burbank Fire Fighters-Chief Officer's Unit, represented 6 employees; and the Burbank Management Association, represented 151 employees. In addition, there were 96 non-represented employees (including executives). All of the associations are subject to the Meyers-Milias-Brown Act, which requires each association to meet with the City and confer in an effort to develop a "memorandum of understanding." Negotiations on each memorandum begin before the June 30 expiration of the applicable memorandum; however, negotiations often are completed subsequent to the June 30 expiration. Memoranda of understanding are currently in effect with respect to all associations.

Population

The following table summarizes State Department of Finance estimates of population for the years indicated. The City anticipates that further population increases will be dependent upon replacement of older single family residential units by higher density multiple unit housing developments in areas planned and zoned for multiple family densities that are currently underdeveloped.

CITY OF BURBANK
POPULATION

January 1	Population
1993	97,219
1994	98,678
1995	99,880
1996	101,424
1997	102,481
1998	104,048
1999	105,300
2000	106,480
2001 (1)	102,400
2002	102,800

Source: California Department of Finance.
(1) Reduction in population from 2000 to 2001 reflects the impact of the 2000 census.

Employment

The City is part of the Los Angeles-Long Beach Metropolitan Statistical Area (MSA). The civilian labor force for Los Angeles County decreased from an average of 4,875,000 in 2001 to 4,616,000 in 2002.

LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Calendar Years 1998-2002

Year	Area	Civilian Labor Force	Employed	Unemployed	Unemployment Rate
1998	L.A. County	4,647,600	4,343,300	304,300	6.5%
	California	16,336,500	15,367,500	969,000	5.9%
	United States	137,674,700	131,470,700	6,204,000	4.5%
1999	L.A. County	4,662,400	4,389,300	273,000	5.9%
	California	16,596,400	15,731,700	864,700	5.2%
	United States	139,380,000	133,501,000	5,879,000	4.2%
2000	LA. County	4,761,600	4,506,100	255,500	5.4%
	California	17,090,800	16,245,600	845,200	4.9%
	United States	140,866,300	135,214,700	5,651,600	4.0%
2001	LA. County	4,875,200	4,598,200	277,00	5.7%
	California	17,362,300	16,435,200	927,100	5.3%
	United States	142,122,200	135,042,900	6,779,300	4.8%
2002	LA. County	4,915,000	4,616,000	299,000	6.1%
	California	17,661,000	16,574,000	1,087,000	6.2%
	United States	142,878,000	135,237,000	7,640,000	5.3%

Source: State of California, Employment Development Department.
*L.A. County refers to the Los Angeles-Long Beach MSA.

Industry and Employment

The following table lists Burbank's major employers as of January 1, 2002. Most of these entities are also among the City's largest taxpayers.

CITY OF BURBANK
MAJOR EMPLOYERS

Entity	Employmen t	Products/Service
Walt Disney Company	6,000	Motion Picture/Television
Time Warner Entertainment	5,000	Motion Picture/Television
St. Joseph Medical Center	1,800	Medical
National Broadcasting Company	1,700	Television and Radio
Burbank Unified School District	1,600	Government
City of Burbank	1,531	Government
B-G-P Airport Support Services	1,500	Government
American Broadcasting Companies	700	Television
Foto-Kem Industries Inc.	550	Motion Picture/Television
Crane Co. Hydro	500	Airplane Parts

Source: City of Burbank License & Code Services.

Manufacturing employment has historically been concentrated in the aerospace industry, although a major aerospace employer, Lockheed-Martin, has relocated out of the Burbank area, along with some related auxiliary component manufacturers. The sites of these firms, some of which are in the process of being redeveloped into various industrial and commercial uses, are located within close proximity to the Burbank-Glendale-Pasadena Airport. The Airport is served by six scheduled airlines: Alaska Airlines, Aloha Airlines, American Airlines, America West Airlines, Southwest Airlines and United Airlines.

The entertainment industry has the greatest concentration of non-manufacturing industrial employment. Production facilities of Time Warner Entertainment, the National Broadcasting Company and Walt Disney Productions place Burbank in a leading role in the Southern California entertainment industry. It is anticipated that the demand for film and television employees will create a significant number of new jobs in Los Angeles County. This is expected to benefit Burbank since it is home to the above-mentioned large entertainment companies, as well as numerous support services companies.

As reported by the Community Development Department, the distribution of employment in the City is as shown on the following table:

CITY OF BURBANK
DISTRIBUTION OF EMPLOYMENT
(as of January 1, 2001)

Classification	Employment	Distribution
Durable and non-durable goods manufacturing	14,396	14.4%
Transportation, communications, public utilities	4,229	4.2
Wholesale and retail trade	13,368	13.2
Services (1)	54,140	53.4
Other	14,986	14.8
TOTAL	101,119	100.0%

Source: Economic Alliance of the San Fernando Valley, Claritas.
(1) Includes entertainment industry.

Principal Property Owners and Taxpayers

The following table lists the City's top ten 2001/02 property owners.

CITY OF BURBANK
PRINCIPAL PROPERTY OWNERS

Taxpayer	Type of Business	Taxable Value	Percentage of Assessed Valuation
Time Warner Entertainment	Motion picture and television	$ 666,750,630	6.03%
Walt Disney Productions	Motion picture and television	242,004,219	2.19
Alexander Haagen Properties	Retail properties	198,254,951	1.79
Sisters of Providence in California	Hospital	181,238,900	1.64
National Broadcasting Co.	Major television network	167,398,175	1.51
Walt Disney Pictures	Motion picture and television	161,203,488	1.46
Tochikogyo USA Inc.	Office building	125,904,091	1.14
Disney Channel	Television	116,075,527	1.05
Douglas Emmett Joint Venture	Office buildings	93,284,976	0.84
Southwest Airlines Co	Airline	86,613,063	0.78
Top Ten Total		2,038,728,020	18.44
Other Taxpayers		9,017,358,836	81.56
Total for entire City		$11,056,086,856	100.00%

Source: Los Angeles County Assessor.

The following table lists the City's top ten 2001/02 property taxpayers.

CITY OF BURBANK
PRINCIPAL PROPERTY TAXPAYERS

Taxpayer	Type of Business	Revenue	Percentage of Total Revenue
Alexander Haagen Properties	Retail properties	1,944,163	5.35%
National Broadcasting Co.	Major television network	1,579,020	4.35
Time Warner Entertainment	Motion picture and television	1,518,701	4.18
Southwest Airlines Co	Airline	764,082	2.10
Walt Disney Pictures	Motion picture and television	670,504	1.85
SHC Burbank LLC	Office building	512,023	1.41
Walt Disney Productions	Motion picture and television	447,391	1.23
Joseph A Perry	Hotels	408,235	1.12
Mayer Burbank Limited	Residential properties	401,740	1.11
Thornton Skunkworks	Aerospace	351,979	0.97
Top Ten Total		8,597,840	23.67
Other Taxpayers		27,723,823	76.33
Total for entire City		$36,321,663	100.00%

Source: Los Angeles County Assessor.

Income

The following table compares the median household effective buying income for the City, the County of Los Angeles, the State and the nation.

MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

Year	City of Burbank	County of Los Angeles	State of California	United States
1995	$34,073	$32,979	$34,533	$32,238
1996	33,203	33,272	35,216	33,482
1997	35,730	34,356	35,483	34,518
1998	36,064	34,554	37,091	35,377
1999	37,461	36,729	39,402	37,233
2000	42,725	41,628	44,464	39,129
2001	41,154	40,789	43,532	38,365

Source: "Survey of Buying Power," Sales and Marketing Management.

Taxable Sales

The table below shows the history of taxable transactions for the City for the years indicated:

CITY OF BURBANK TAXABLE SALES
($ in thousands)

Type of Business	1997	1998	1999	2000	2001
Retail Stores					
Apparel	$ 92,974	$ 90,856	$ 44,832	$ 45,163	$ 47,845
General Merchandise	150,841	159,731	219,194	233,073	243,720
Food	64,274	64,470	70,174	83,569	75,501
Eating & Drinking Places	155,244	162,866	173,005	186,909	197,355
Home Furnishing & Appliances	116,077	129,777	246,331	266,305	281,997
Bldg Materials & Farm Implements	49,625	51,265	66,502	60,975	71,502
Auto Dealers & Suppliers	36,209	35,735	49,688	61,073	74,298
Service Stations	75,982	72,449	95,420	110,198	111,720
Other Retail Stores	196,344	229,867	259,446	269,795	255,733
Retail Stores Total	937,570	997,016	1,224,592	1,317,060	1,359,671
All Other Outlets	594,395	614,477	519,654	556,142	598,749
Total All Outlets	$1,531,965	$1,611,493	$1,744,246	$1,873,202	$1,958,420

Source: California State Board of Equalization.

Construction Activity

The number of building permits issued by the City for the years indicated is set forth below.

CITY OF BURBANK BUILDING PERMITS

Year	Number of Permits
1991	1,957
1992	2,235
1993	2,096
1994	2,770
1995	2,362
1996	2,071
1997	2,197
1998	2,310
1999	2,386
2000	2,410
2001	2,502
2002*	2,480

Source: City of Burbank Building Division.
*Through November 30, 2002.

The total valuation of building permits issued in the City for calendar year 2001 was approximately $268.5 million. This compares with approximately $116.9 million for calendar year 2000. The following table provides a summary of building permit valuations authorized in the City during the past five years.

CITY OF BURBANK BUILDING PERMIT VALUATION
Calendar Years –1997-2001
($ in millions)

	1997	1998	1999	2000	2001	2002**
Valuation*						
Residential	$ 15.6	$ 31.1	$ 33.1	$ 52.4	$ 77.4	$ 49.4
Commercial/Industrial	49.5	155.8	45.3	51.6	179.6	73.6
Other	7.5	5.5	2.9	12.9	11.5	3.1
TOTAL	$72.6	$192.4	$81.3	$116.9	$268.5	$ 126.1
New Dwelling Units						
Single Family	$ 1.1	$ 12.1	$ 12.4	$ 24.1	$ 6.7	$ 5.3
Two Family	0.0	0.1	0.2	0.0	.1	.5
Apartment Buildings	0.8	2.0	1.8	1.1	32.7	10.6
TOTAL	$ 1.9	$ 14.2	$ 14.4	$ 25.2	$ 39.5	$ 16.4

Source: City of Burbank Building Division.
*Valuation encompasses new dwellings and remodeling of existing structures.
**Through November 30, 2002.

Economic Condition and Outlook

A recent and significant addition to Burbank's commercial market includes the Burbank Empire Center built on former Lockheed land just southwest of the Golden State (I-5) Freeway. The Burbank Empire Center is a 103-acre mixed use project that incorporates 600,000 square feet of retail space; 600,000 square feet of office space; two extended-stay hotels with a total of 350 rooms; a 160,000 square feet Sears Great Indoors facility; and a 160,000 square feet Costco facility. Other major retail anchors include Target, Lowe's Home Improvement, Marshall's, Best Buy, Linen N' Things, Sportsmart, and Michael's along with several other retail stores and restaurants. The estimated number of jobs created by this project is approximately 3,350.

In downtown Burbank, AMC theaters will be constructing a 16-screen theatre complex with retail and restaurant space. This will replace the existing AMC 14-screen theatre with a state-of-the-art, stadium-style seating theatre. This project will also include 120,000 square feet of retail and restaurant space, as well as a 40,000 square foot health club. The City will also continue its efforts in developing a mixed-use project at the old police block site in the downtown area that is to include residential, office and retail uses. In another part of downtown, Marriott is planning to construct a 253 room, full-service extended-stay hotel.

Media Studios North office campus is among a number of office development projects being undertaken in Burbank. Located on the north side of Burbank near the airport, the project encompasses nearly 700,000 square feet of office space. Major tenants include Disney Animation and Technicolor. Also adjacent to the airport is the Airport Plaza office building which provides an additional 155,000 square feet of new office space in the City.

A notable project that is being developed in the media district of the City is the Pinnacle project, which is expected to have 585,000 square feet of office space situated above a four-level parking garage. Additionally, near NBC is the Bob Hope project, which includes 100,000 square feet of office space along with a performing arts theater and museum.

With increasing housing costs, the City remains committed to providing affordable housing opportunities. The Riverside Drive housing development that is currently underway will provide 20 housing units in the Rancho District. Another 20 single-family units will be built just east of the airport and will be accompanied by a child care facility and play yard. Additionally, the Burbank Senior Artists' colony project in the South San Fernando Project Area will provide 141 senior housing units to help meet the growing demand for senior citizen housing.

Utilities

The City of Burbank provides its own municipal electric, water and sewer utilities. Southern California Gas Company and Pacific Bell Telephone Company also serve Burbank.

Fiscal Operation

The City uses the modified accrual basis of accounting for all funds except proprietary funds which use the accrual basis of accounting. The City's financial statements are prepared in conformity with generally accepted accounting principles.

The City adopts an annual budget and utilizes an "encumbrance system." Under this procedure, commitments such as purchase orders and contracts at year-end are recorded as restrictions of fund balance through a reserve account. Generally, City staff begins preparation of the budget in January of the prior fiscal year, and the City Council adopts the budget in June of the prior fiscal year after holding a public hearing. The 2002-03 fiscal year budget was adopted on June 18, 2002.

Retirement Programs

Defined Contribution Plan. The Welfare Benefit Plan (VEBA) Trust (the Plan) is a defined contribution plan established by the City to provide post retirement medical and educational assistance benefits to members of the Burbank Police Officer's Association, the International Brotherhood of

Electrical Workers (IBEW), and the Burbank Management Association. At June 30, 2002, there were 440 active plan members and 40 active retired members. Plan members are required to contribute their final vested sick pay at retirement. The City is required to contribute 1.5% of the Burbank Police Officer's Association annual covered salary, $6.56 per month for each of the Burbank Management Association's members, and $3.50 per month for each of the members of the IBEW. Plan provisions and contribution requirements are established and may be amended by the City Council. Investments are on a pooled basis and are determined by the VEBA committee, of which City and association representatives participate. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The employer and plan member contributions are recognized in the period that the contributions are made. Plan investments are reported at fair value. At June 30, 2002, the market value of plan assets was $1,446,258.08.

Defined Benefit Plan. The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; as of June 30, 2002, for miscellaneous and Fire employees the rate is zero. As of June 30, 2002, for Police employees the rate was 8.058%. The contribution requirements of plan members and the City are established and may be amended by PERS.

For 2002, the City's annual pension cost of $6,960,000 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 1999, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a four-year period (smoothed fair value).

All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20 year period. In addition, all gains or losses are tracked, and 10% of the net unamortized accumulated gain or loss is amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability.

Risk Management

The City is self-insured for the first $1,000,000 on each general liability claim against the City. The City self-insures for all workers compensation claims. At June 30, 2002, $4,162,923 was accrued for general liability claims, and $12,695,846 accrued for workers compensation claims. These amounts were determined by an actuarial study of the City's liability, performed biannually. These accruals represent estimates of amounts to be paid for incurred and reported claims as well as incurred but unreported claims based upon past experience and modified for current trends and information. These amounts are not discounted.

While the ultimate amounts of losses incurred through June 30, 2002, are dependent on future developments, based upon information provided from the City Attorney, outside legal counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses. The City is insured with outside insurance carriers for certain amounts in excess of self-insurance limits. There have been no reductions during the fiscal year in insurance coverage, nor have there been any settlements in excess of insurance coverage for the past three years.

The City was a participant in the Authority for California Cities Excess Liability (ACCEL) from May 1987 through June 1998. As a result of this involvement, the City still shares in losses of member agencies for claims filed through June 1998. To meet this obligation, funds for fiscal years 1987 through 1998 are kept on deposit until such time as these claims actively cease to exist. As of June 30, 2002, the City has $324,000 on deposit with the Authority.

As of July 1, 1998, the City became a participant in the California Authority for Municipal Excess Liability (CAMEL). This is an insurance arrangement wherein the City self-insures all liability losses for the first $1,000,000 in losses before insurance coverage participates. The limit of coverage in CAMEL is $10,000,000. The City does not share risk as under ACCEL, rather, the City maintains an individual policy. The City purchases an additional $10,000,000 in coverage in excess, for a total coverage of $20,000,000.

Changes in the self-insurance liability for the last two fiscal years were as follows:

	2000/01	2001/02
Beginning liability, July 1	$13,910,000	$13,910,000
Claims and changes in estimates	3,017,000	5,485,614
Claims payments during the year	(3,017,000)	(2,537,272)
Ending liability, June 30	$13,910,000	$16,858,769

City Investment Policy and Portfolio

The City annually adopts an investment policy (the "Investment Policy") governing the investment of public funds. The City Treasurer is required to present each Investment Policy to an Oversight and Review Committee and the Fiscal & Treasurer's Review Group for concurrence before it is presented to the City Council for approval. Authority to invest public funds is delegated by the City Council to the City Treasurer. In the event the City Treasurer is absent from the City or is subject to any temporary or permanent disability to act as such, the Financial Services Director is authorized to act as deputy of the City Treasurer and to perform all acts authorized to be performed by the City Treasurer.

The Investment Policy sets forth three fundamental criteria to be followed in the City's investment program: (a) safety, (b) liquidity, and (c) yield. The Investment Policy also sets forth the types of permitted investments as well as the maximum percentage of total investments that may employ any one type. The Investment Policy sets forth maturity limitations and limits the financial institutions to whom investment may be made.

The Investment Policy provides that the investment of bond proceeds is to be covered by the bond indenture, subject to those investments permitted by the California Government Code.

Copies of the Investment Policy are available upon request from Mr. Derek Hanway, Financial Services Director, City of Burbank, 301 East Olive Avenue, Burbank, California 91502, Phone: (818) 238-5500, Fax: (818) 238-5520.

The City's investment inventory as of September 30, 2002, was as follows:

Type	Market Value	% of Portfolio
FHLMC Debentures	$ 30,306,250	12.20%
Medium Term Notes	65,233,102	26.25
Federal Home Loan Bank Bonds	30,756,094	12.38
Federal National Mortgage Association Obligations	47,290,313	19.04
Local Agency Investment Fund	74,873,993	30.14
Total	$248,459,751	100.00%

Source: City of Burbank.

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APPENDIX B

SUMMARY OF THE INDENTURE AND THE SOUTH SAN FERNANDO INDENTURE

The following is a brief summary of the provisions of the Indenture and the South San Fernando Indenture not otherwise summarized in the text of this Official Statement. This summary is not intended to be definitive, and reference is made to the full text of such documents for the complete terms thereof.

INDENTURE

Definitions

"*Act*" means Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

"*Agency*" means the Redevelopment Agency of the City of Burbank, a public body corporate and politic organized under the laws of the State, and any successor thereto.

"*Agency Trustee*" means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, or any other entity designated in accordance with the South San Fernando Project Indenture as trustee for the 2003 South San Fernando Project Bonds.

"*Authority*" means the Burbank Public Financing Authority, a joint powers authority duly organized and existing under the laws of the State and the Joint Exercise of Powers Agreement, dated March 16, 1993, by and between the City and the Agency.

"*Board*" means the Board of Directors of the Authority.

"*Bond Counsel*" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"*Bond Law*" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with section 6584), as in existence on the Closing Date or as thereafter amended from time to time.

"*Bond Year*" means each twelve-month period extending from December 2 in one calendar year to December 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on December 1, 2003.

"*Bonds*" means the Burbank Public Financing Authority Revenue Bonds, 2003 Series B (South San Fernando Redevelopment Project), authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

"*Business Day*" means a day of the year, other than a Saturday or Sunday, or legal holiday on which banks in the State of California are required or authorized to remain closed.

"*Certificate of the Authority*" means a certificate in writing signed by the Chairman, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

"*City*" means the City of Burbank, California, a municipal corporation and charter city organized and existing under the Constitution and laws of the State.

"*Closing Date*" means the date of delivery of the Bonds to the original purchaser thereof.

"*Continuing Disclosure Certificate*" shall mean the Continuing Disclosure Certificate executed by the Agency, and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"*Costs of Issuance*" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the 2003 South San Fernando Project Bonds, and the refunding and defeasance of a portion of the Prior Bonds and certain other Agency obligations from a portion of the proceeds of the 2003 South San Fernando Project Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority, the Trustee, the Agency Trustee and the Prior Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

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

"*County*" means the County of Los Angeles, a political subdivision organized and existing under the laws of the State.

"*Defeasance Obligations*" means (a) cash; (b) non-callable Federal Securities (including State and Local Government Securities); (c) non-callable direct obligations of the United States of America which have been stripped by the Department of the Treasury of the United States of America; (d) non-callable bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) participation certificates of the General Services Administration; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) U.S. government guaranteed public housing notes and bonds; and (vii) project notes and local authority bonds of the U.S. Department of Housing and Urban Development; and (e) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds.

"*Depository*" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository pursuant to the Indenture.

"*Depository System Participant*" means any participant in the Depository's book-entry system.

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

"*Excess Investment Earnings*" means the amount of excess investment earnings determined to be subject to rebate to the United States of America with respect to the investment of the gross proceeds of the Bonds, determined pursuant to section 148(f) of the Tax Code.

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

"*Fair Market Value*" means, with respect to any investment, the price at which a willing buyer would purchase such 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 Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax 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 Tax 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 Authority 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: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; (b) obligations of any agency or department of the United States of America which represent the full faith and credit of the United States of America or the timely payment of the principal of and interest on which are secured or guaranteed by the full faith and credit of the United States of America; and (c) any obligations issued by the State of California or any political subdivision thereof the payment of and interest and premium (if any) on which are fully secured by Federal Securities described in the preceding clauses (a) or (b), as verified by an independent certified public accountant, and rated "AAA" and "Aaa" by S&P and Moody's, respectively.

"*Fiscal Year*" means any twelve-month period extending from July1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"*Indenture*" means the Indenture of Trust, dated as of February 1, 2003, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof.

"*Independent Accountant*" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom (a) is in fact independent and not under domination of the Authority, the City or the Agency; (b) does not have any substantial interest, direct or indirect, in the Authority, the City or the Agency; and (c) is not connected with the Authority, the City or the Agency as an officer or employee of the Authority, the City or the Agency but who may be regularly retained to make annual or other audits of the books of or reports to the Authority, the City or the Agency.

"*Independent Financial Consultant*" means any financial consultant or firm of such consultants appointed and paid by the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Authority or the Agency; (b) does not have any substantial interest, direct or indirect, in the Authority or the Agency; and (c) is not an officer or employee of the Authority or the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the Agency.

"*Information Services*" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Moody's Investors Service "Municipal and Government," 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attention: Called Bonds Department; Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Standard & Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority 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 June 1 and December 1 in each year, beginning June 1, 2003, and continuing thereafter so long as any Bonds remain Outstanding.

"*Maximum Annual Debt Service*" means, as of the date of calculation, the maximum amount obtained by totaling, for the current or any future Bond Year, the sum of: (a) the principal amount of all Outstanding Bonds maturing in such Bond Year; (b) the aggregate principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such Bond Year, together with any premium thereon; and (c) the interest which would be due during such Bond Year on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate principal amount the aggregate principal amount of Bonds no longer Outstanding.

"*Moody's*" means Moody's Investors Service, its successors and assigns.

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

"*Outstanding*", when used as of any particular time with reference to Bonds, means all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except (a) Bonds theretofore cancelled 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 executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"*Owner*", when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"*Permitted Investments*" means any of the following which at the time of investment are determined by the Authority (any investment direction by Request of the Authority to the Trustee shall be deemed to be a representation by the Authority that such determination has been made as to such investment by the Authority) to be legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) Federal Securities.

(b) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration.

(c) Senior debt obligations rated AAA by S&P and Aaa by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation (or any other U.S.-sponsored agency) with remaining maturities not exceeding three (3) years.

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks, including the Trustee, its parent, if any, and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase.

(e) Registered state warrants or treasury notes or bonds of the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State, in each case, rated at least A by Moody's or S&P.

(f) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the City, or by a department, board, agency, or authority of the City, in each case, rated at least A by Moody's or S&P.

(g) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, or in obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

(h) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System. Purchases of bankers acceptances may not exceed 270 days' maturity.

(i) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's or S&P. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an A or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's or S&P. Purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation.

(j) Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by section 5102 of the Financial Code of the State) or by a state-licensed branch of a foreign bank.

(k) Investments in fully collateralized repurchase agreements or reverse repurchase agreements of any securities authorized by this definition, so long as the proceeds of the reverse repurchase agreement are invested solely to supplement the income normally received from these securities. For purposes of this paragraph, the term "repurchase agreement" means a purchase of securities by the Trustee or the Authority, as applicable, pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Trustee or the Authority, as applicable, by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. The term "counterparty" for the purposes of this paragraph, means the other party to the transaction whose general obligations are rated "A" or better by Moody's or S&P. A counterparty bank's trust department or safekeeping department may be used for physical delivery of the underlying security. The term of repurchase agreements shall be for one year or less. The term "securities," for purpose of repurchase under this paragraph, means securities of the same issuer, description, issue date, and maturity. The term "reverse repurchase agreement" means a sale of securities by the Trustee or the Authority, as applicable, pursuant to an agreement by which the Trustee or the Authority, as applicable, will repurchase such securities on or before a specified date and for a specified amount.

(l) Medium-term notes of a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this paragraph shall be rated in a rating category of AA or better by S&P and Aa or better by Moody's.

(m) Notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by section 53601 of the Government Code of the State as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by said section 53601 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(n) The Local Agency Investment Fund maintained by the Treasurer of the State.

(o) Guaranteed investment contracts with financial institutions whose (or whose holding company's) long-term unsecured debt is rated at least A by Moody's or S&P, for all or any portion of the moneys on deposit in the funds and accounts established under the Indenture, the provisions of which guaranteed investment contracts shall include the right of the Trustee or the Authority to draw in full thereunder in the event of the reduction or loss of the long-term debt rating of the issuer thereof and the maximum term for which guaranteed investment contracts shall be the payment date of the final Bond Outstanding under the Indenture.

(p) Money market mutual funds (including those of the Trustee and its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AAAm-G or AAAm by S&P or Aaa by Moody's; provided that the portfolio of such money market mutual fund is limited to obligations described in subparagraph (a) above and to agreements to repurchase such obligations.

(q) Any other investment described in section 53601 of the California Government Code and otherwise permitted under the City's investment policy as in effect at the time the investment is made. The Trustee shall be entitled to rely on a Request of the Authority as to any investment permitted under this clause (q) constituting a Permitted Investment.

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

"*Principal Prepayments*" means any amounts received by the Trustee representing (a) a redemption of any of the 2003 South San Fernando Project Bonds pursuant to the South San Fernando Project Indenture, consisting of the principal amount of the 2003 South San Fernando Project Bonds being redeemed and any premium paid upon such redemption, or (b) the amount due upon acceleration of 2003 South San Fernando Project Bonds following a default under the terms of the South

San Fernando Project Indenture; but excluding in any event the amount of any regularly scheduled payments of principal of and interest on the 2003 South San Fernando Project Bonds paid concurrent therewith.

"*Purchase Fund*" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"*Rebate Account*" means the account established and held by the Trustee pursuant to the Indenture.

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

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

"*Request of the Authority*" means a request in writing signed by the Chair, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

"*Reserve Account*" means the Reserve Account created under the South San Fernando Project Indenture.

"*Revenue Fund*" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"*Revenues*" means: (a) all amounts derived from or with respect to the 2003 South San Fernando Project Bonds, including but not limited to all Principal Prepayments and other payments of principal thereof and interest thereon; (b) all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture, other than the Rebate Account; and (c) income and gains with respect to the investment of amounts on deposit in the funds and accounts established under the Indenture, other than the Rebate Account and the Costs of Issuance Fund.

"*S&P*" means Standard & Poor's Ratings Services, its successors and assigns.

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

"*South San Fernando Project Indenture*" means that certain Indenture of Trust, dated as of February 1, 2003, by and between the Agency and the Trustee, pursuant to which the Agency issued the 2003 South San Fernando Project Bonds, as such indenture may hereafter be amended and supplemented.

"*State*" means the State of California.

"*Supplemental Indenture*" means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of the Indenture.

"*Tax Code*" means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Tax Code shall include the applicable Tax Regulations with respect to such provision.

"*Tax Regulations*" means temporary and permanent regulations promulgated under or with respect to section 103 and sections 141 through 150, inclusive, of the Tax Code.

"*Term Bonds*" means the Bonds maturing on December 1, 2023, on December 1, 2028, and on December 1, 2033.

"*Trust Office*" means the corporate trust office of the Trustee at the address set forth in the Indenture, and such office as the Trustee may designate in writing to the Authority from time to time as the place for transfer, exchange or payment of the Bonds.

"*Trustee*" means Wells Fargo Bank, National Association and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

"*2003 South San Fernando Project Bonds*" means the Agency's Redevelopment Agency of the City of Burbank South San Fernando Redevelopment Project Tax Allocation Bonds, 2003 Series A, which are to be purchased with amounts in the Purchase Fund pursuant to the Indenture and outstanding under the South San Fernando Project Indenture.

Application of Proceeds of Sale of Bonds

Upon the receipt of payment for the Bonds on the Closing Date , the Trustee shall deposit the proceeds of sale thereof as follows: (a) amounts required to purchase the 2003 South San Fernando Project Bonds shall be deposited in the Purchase Fund; and (b) the remaining amount shall be deposited in the Costs of Issuance Fund.

Purchase Fund

On the Closing Date, the Trustee shall withdraw all amounts on deposit in the Purchase Fund and transfer such sum to the Agency Trustee for deposit by the Agency Trustee under the South San Fernando Project Indenture, as the purchase price for the 2003 San Fernando Project Bonds.

Costs of Issuance Fund

The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Request of the Authority. On July 1, 2003, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Interest Account and the Costs of Issuance Fund shall be closed.

Pledge of Revenues; Assignment of Rights

The Bonds shall be secured by a first lien on and pledge of all of the Revenues and a pledge of all of the moneys in the Revenue Fund, the Interest Account and the Principal Account, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority (but not the obligations) in the 2003 South San Fernando Project Bonds. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and, subject to the provisions of the Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Agency under the 2003 South San Fernando Project Bonds.

Receipt, Deposit and Application of Revenues

Deposit of Revenues; Revenue Fund. All Revenues described in clause (a) of the definition thereof shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust under the Indenture.

Application of Revenues: Special Accounts. On or before each date on which interest on the Bonds becomes due and payable, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

> (i) Interest Account. On or before each date on which interest on the Bonds becomes due and payable, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such date. 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). All amounts on deposit in the Interest Account on any Interest Payment Date, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be withdrawn therefrom by the Trustee and transferred to the Agency to be used for any lawful purposes of the Agency.
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> (ii) Principal Account. On or before each date on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal coming due and payable on such date on the Bonds, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premiums) required to be redeemed on such date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (A) paying the principal of the Bonds at the maturity thereof, (B) paying the principal of the Term Bonds and the Escrow Term Bonds upon the mandatory sinking fund redemption thereof, or (C) paying the principal of and premium (if any) on any Bonds upon the redemption thereof. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, shall be withdrawn therefrom and transferred to the Agency to be used for any lawful purposes of the Agency.
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> (iii) Surplus. On December 1 of each year, after making the deposits required on such December 1 pursuant to the preceding clause (i) and (ii), the Trustee shall transfer any amount

remaining on deposit in the Revenue Fund to the Agency, free and clear of the lien of the Indenture, to be used for any lawful purpose of the Agency.

(iv) Reserve Accounts. In the event that, as of any Interest Payment Date or date on which principal on the Bonds is due as described in clauses (i) and (ii), the amount on deposit in the Interest Account and the Principal Account is not fully sufficient to pay the amounts then due on the Bonds, the Trustee shall request an immediate transfer from the Agency Trustee of amounts on deposit in the Reserve Account of the South San Fernando Project Indenture which have not fully paid their respective debt service due on such date, in the amount necessary to make full payment on the Bonds due on such date. In the event that more than one series of the 2003 South San Fernando Project Bonds has not fully paid its respective debt service due on such date, the Trustee shall request from the Agency Trustee withdrawals from the Reserve Account under the South San Fernando Project Indenture for the delinquent 2003 South San Fernando Project Bonds, based upon the amount of the delinquency on each such series of the 2003 South San Fernando Project Bonds.

In the event of a draw on any Reserve Account under the preceding paragraph, the Agency shall receive a credit for debt service due on the series of 2003 South San Fernando Project Bonds with respect to which Reserve Account pertains, in the amount received by the Trustee pursuant to such draw.

Rebate Account. The Trustee shall deposit in the Rebate Account from time to time, from payments made by the Agency for such purpose pursuant to the South San Fernando Project Indenture, an amount determined by the Authority to be subject to rebate to the United States of America in accordance with the Indenture. Amounts in the Rebate Account shall be applied and disbursed by the Trustee solely for the purposes and at the times set forth in Requests of the Authority filed with the Trustee pursuant to the Indenture.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture or the South San Fernando Project Indenture (other than the Purchase Fund) shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Agency two (2) Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the Agency shall determine. All Permitted Investments shall be acquired subject to any limitations or requirements as may be established by the Written Request of the Agency (as defined in the South San Fernando Project Indenture) filed with the Trustee. Moneys in all funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the Agency, the Trustee shall invest any funds held by it in Permitted Investments described in clause (p) of the definition thereof.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Revenue Fund, except that such interest, profits and other income (i) on amounts in the Costs of Issuance Fund shall be retained therein to be used to the purposes thereof, (ii) on amounts in the Rebate Account shall be retained therein to be used for the purposes thereof, and (ii) on amounts in the Purchase Fund shall be retained therein to be used for the purposes thereof. Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund.

The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Trustee shall sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the

Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the Authority 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.

Certain Covenants of the Authority

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any 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 thereon which shall not have been so extended. Nothing shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the 2003 South San Fernando Project Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Revenues and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the Agency, during regular business hours with reasonable prior notice.

No Parity Debt. Except for the Bonds, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Tax Covenants Relating to Bonds.

(a) **Private Business Use Limitation**. The Authority shall assure that the proceeds of the Bonds (and the proceeds of the 2003 South San Fernando Project Bonds) are not used in a manner which would cause the Bonds to become "private activity bonds" within the meaning of section 141(a) of the Tax Code.

(b) **Private Loan Limitation**. The Authority shall assure that no more than five percent (5%) of the net proceeds of the Bonds (and of the 2003 South San Fernando Project Bonds) are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations as defined in the Tax Code or constituting assessments) to persons other than state or local government units.

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

(d) **No Arbitrage**. The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Tax Code.

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

Covenants With Respect to 2003 South San Fernando Project Bonds.

(a) *Sale of 2003 South San Fernando Project Bonds*. The Authority may sell the 2003 South San Fernando Project Bonds or any portion of the principal thereof upon written direction of the Authority to the Trustee specifying the principal amount and purchase price of the 2003 South San Fernando Project Bonds to be sold, accompanied by: (i) cash and a written direction of the Authority as to any investment of such cash in Defeasance Obligations, (ii) a certificate of the Authority specifying the maturity or maturities and principal amounts of the Bonds to be defeased (in the manner contemplated by the Indenture) with such cash and any Defeasance Obligations specified pursuant to the preceding clause (i), (iii) a written certificate of an Independent Financial Consultant to the effect that the aggregate of the principal and interest due on the portion, if any, of such 2003 South San Fernando Project Bonds to be retained by the Trustee following such sale will be sufficient in time and amount to timely pay the principal and interest due on the Bonds which will remain Outstanding following such sale, and (iv) an opinion of Bond Counsel to the effect that such sale, in itself, will not adversely affect the exclusion from the gross incomes of the Owners of the interest on the Bonds. Upon receipt of such documents, the Trustee shall invest such cash as specified by the Authority pursuant to clause (i) above and hold such investments and any uninvested cash in an escrow fund to be used solely for payment of the Bonds defeased therewith, and shall cooperate with the Authority in the transfer of such 2003 South San Fernando Project Bonds so sold to the purchaser thereof. Upon the discharge of all of the Bonds pursuant to the Indenture, the Trustee shall thereupon convey all of its right, title and interest in and to the 2003 South San Fernando Project Bonds to the Agency.

(b) *Amendment of 2003 South San Fernando Project Bonds*. Neither the Trustee nor the Authority shall consent or agree to consent to any amendment or modification of the South San Fernando Project Indenture unless the Authority shall have obtained, and caused to be filed with the Trustee, (a) if applicable, the report of an Independent Financial Consultant stating that such amendment or modification will not cause a reduction in the amount of Revenues required to pay debt service on the Bonds, and (b) an opinion of Bond Counsel stating that such amendment or modification will not materially adversely impair the interests of the Bond Owners under the Indenture, and will not cause interest on the Bonds to be includable in gross income of the Bond Owners for federal income tax purposes. The Trustee and the Authority may conclusively rely on such report of the Independent Financial Consultant and Opinion of Bond Counsel and shall, in each case, be protected in relying thereon.

(c) *Collection of Revenues*. The Trustee shall collect and cause to be paid to it all Revenues promptly as such Revenues become due and payable, and, subject to the provisions of the Indenture, shall enforce and cause to be enforced all rights of the Trustee under and with respect to the 2003 South San Fernando Project Bonds. Enforcement of the rights of the Trustee under and with respect to the 2003 South San Fernando Project Bonds shall be subject to the provisions of subsection (e) below.

(d) *Notification of 2003 South San Fernando Project Bonds Default*. Upon receiving actual knowledge of either (i) the failure to pay when due any installment of principal of or interest or premium (if any) on any of the 2003 South San Fernando Project Bonds, or (ii) the occurrence of any other default under the South San Fernando Project Indenture, the Trustee shall promptly notify the Authority of such failure or event of default by telephone, telefax or other form of telecommunication, promptly confirmed in writing. Such notice shall identify the nature of the default.

(e) *Exercise of Remedies With Respect to 2003 South San Fernando Project Bonds*. Upon the occurrence of a default with respect to any of the 2003 South San Fernando Project Bonds, the Trustee may, and if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, subject to the provisions of the Indenture, exercise any and all remedies granted to the Trustee as registered owner of the 2003 South San Fernando Project Bonds.

(f) *Optional Redemption of 2003 South San Fernando Project Bonds*. The Authority shall not consent to the optional redemption of any of the 2003 South San Fernando Project Bonds unless it shall first have obtained a certificate of an Independent Financial Consultant which: (i) specifies (A) the premium, if any, to be paid by the Agency in connection with such optional redemption, (B) the principal amount and redemption date and price of any Bonds to be redeemed as a result of the optional redemption of the 2003 South San Fernando Project Bonds, and (C) the date and principal amount of any sinking fund redemption payments to be reduced as a consequence of any such optional redemption, and (D) the date and principal amount of any sinking fund redemption payments to be reduced as a consequence of the proposed optional redemption of the 2003 South San Fernando Project Bonds; and (ii) concludes that, based upon the information supplied in clauses (i)(A) through (D) above, and in reliance upon the Trustee, the Agency Trustee, the Agency and the Authority implementing the redemption of the 2003 South San Fernando Project Bonds and the Bonds in a manner consistent with such information, the aggregate of the scheduled principal and interest due on the 2003 South San Fernando Project Bonds which remain Outstanding (as defined in the South San Fernando Project Indenture) following such redemption will be sufficient in time and amount to timely pay the principal and interest due on the Bonds which will remain Outstanding following any redemption of the Bonds to occur as a result of the optional redemption of the 2003 South San Fernando Project Bonds. The Authority and the Trustee may conclusively rely upon any such certificate of an Independent Financial Consultant in connection with the redemption of the

Bonds and the reduction of any sinking fund payments as a consequence of such optional redemption.

The consent of the Authority to any such optional redemption of the 2003 South San Fernando Project Bonds may be executed and delivered by the Executive Director of the Authority, who is authorized to so execute and deliver any such consent following receipt of the certificate of an Independent Financial Consultant described in the preceding paragraph, without the need for any further action by the Board of Directors of the Authority. No officer of the Authority shall be subject to any personal liability by reason of his execution and delivery of any such consent.

Continuing Disclosure. The Authority covenants and agrees that it will assist the Agency in complying with and carrying out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Authority or the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds but only to the extent indemnified to its satisfaction from any liability or expense, including fees of its attorneys, shall) or any Bondholder may, take such actions as may be necessary and appropriate to compel performance by the Agency of its obligations under the Continuing Disclosure Certificate, including seeking mandate or specific performance by court order.

The Trustee

Appointment of Trustee. Wells Fargo Bank, National Association is appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority agrees that it will maintain a Trustee having a corporate trust office in the State, with a combined capital and surplus of at least fifty million dollars ($50,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank, corporation or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank, corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged.

Acceptance of Trusts. The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default under the Indenture has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture, and shall use the same degree of care and skill and diligence in their exercise, as a prudent person would use in the conduct of its own affairs.

(b) The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture. The Trustee may conclusively rely on an opinion of counsel as full and complete protection for any action taken or suffered by it under the Indenture.

(c) The Trustee shall not be responsible for any recital in the Indenture or in the Bonds, or for any of the supplements thereto or thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued thereunder or intended to be secured by the Indenture and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority under the Indenture.

(d) The Trustee may become the Owner of Bonds secured by the Indenture with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) The Trustee shall be protected in acting, in good faith, upon any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default under the Indenture of which the Trustee has been given notice or is deemed to have notice, as provided in the Indenture, shall also be at liberty to accept a Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful default. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture except failure by the Agency to make any of the payments to the Trustee required to be made by the Agency on any of the 2003 South San Fernando Project Bonds or failure by the Authority or the Agency to file with the Trustee any document required by the Indenture or the South San Fernando Project Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the Indenture except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises of the Indenture.

(k) Notwithstanding anything elsewhere in the Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) The Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(n) Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate of the Authority, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but shall have no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

(o) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, or the Authority may (and the Authority, at the request of the Agency shall) so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee at least thirty (30) days prior to the effective date of each removal, whereupon the Authority or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in the Indenture.

Resignation by Trustee. The Trustee and any successor Trustee may at any time give thirty (30) days' written notice of its intention to resign as Trustee under the Indenture, such notice to be given to the Authority and the Agency by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to the Indenture, with the prior written consent of the Agency, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the delivery to the Trustee of the instrument described in the Indenture or within ninety (90) days following the receipt of notice by the Authority pursuant to the Indenture, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court shall become the successor Trustee under the Indenture notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such ninety-day period.

Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon written acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture or under the South San Fernando Project Bonds, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture if it is not assured to its satisfaction that repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under the Indenture. The obligations of the Authority under this paragraph shall survive the resignation or removal of the Trustee under the Indenture or any defeasance of the Bonds.

Amendment

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

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements hereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Indenture to or conferred upon the Authority;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in any other respect whatsoever, as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners in the opinion of Bond Counsel;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(d) to amend any provision of the Indenture relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Bonds under the Tax Code, in the opinion of Bond Counsel; or

(e) to facilitate the issuance of additional obligations of the Agency pursuant to the South San Fernando Project Indenture.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents 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 Authority to pay the principal, interest or 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, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Events of Default and Remedies

The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee; *provided, however,* that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such sixty (60) day period and diligently pursued until such failure is corrected.

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

If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, upon notice in writing to the Authority and the Agency, pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium (if any) on the Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. Notice of the occurrence of any Event of Default shall be given by the Trustee to the Bond Owners if and to the extent required pursuant to the Indenture and indemnification is provided to the Trustee pursuant to the Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel and any outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; *provided, however,* that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) to the payment of principal of the Bonds then due and payable, such that the unpaid principal reflects, to the furthest extent possible, the unpaid portion of the 2003 South San Fernando Project Bonds, in the event that the available amounts are insufficient to pay all such principal in full, and

(c) to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Limited Liability of Authority

Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture (except to the extent any such covenants are expressly payable hereunder from the Revenues or otherwise from amounts payable under the South San Fernando Project Bonds). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in the Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in the Indenture provided.

Discharge of Indenture

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of, and the interest and premium (if any) on, such Bonds as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and premiums (if any); or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, non-callable Defeasance Obligations in such amount as an Independent Accountant or Bond Counsel shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds pursuant to the Indenture, which are not required for said purposes, shall be paid over to the Authority.

SOUTH SAN FERNANDO INDENTURE

Definitions

"*Agency*" means the Redevelopment Agency of the City of Burbank, a public body corporate and politic duly organized and existing under the Redevelopment Law.

"*Authority*" means the Burbank Public Financing Authority, a public body, corporate and politic, duly organized and existing under a joint exercise of powers agreement entered into by the City and the Agency pursuant to the California Government Code.

"*Authority Bonds*" means the Authority's Burbank Public Financing Authority Revenue Bonds, 2003 Series B (South San Fernando Redevelopment Project), issued pursuant to the Authority Indenture.

"*Authority Indenture*" means the Indenture of Trust, dated as of February 1, 2003, between the Authority and the Authority Trustee.

"*Authority Trustee*" means Wells Fargo Bank, National Association, and any successor thereto acting in the capacity as trustee under the Authority Indenture.

"*Bond Counsel*" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"*Bond Year*" means any twelve-month period beginning on December 2 in any year and extending to the next succeeding December 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on December 1, 2003.

"*Business Day*" means a day of the year (other than a Saturday or Sunday) on which banks in California, are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"*Certificate of the Agency*" means a certificate in writing signed by the Chairman, Executive Director, Treasurer or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

"*City*" means the City of Burbank, a charter city and municipal corporation organized and existing under the laws of the State.

"*Closing Date*" means the date on which the 2003 South San Fernando Project Bonds are delivered by the Agency to the Original Purchaser.

"*Continuing Disclosure Certificate*" shall mean that certain Continuing Disclosure Certificate executed by the Agency, and dated the date of issuance and delivery of the 2003 South San Fernando Project Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"*County*" means the County of Los Angeles, a county duly organized and existing under the Constitution and laws of the State.

"*Debt Service Fund*" means the fund by that name established and held by the Trustee pursuant to the South San Fernando Indenture.

"*Defeasance Securities*" means (a) cash; (b) non-callable Federal Securities (including State and Local Government Securities); (c) non-callable direct obligations of the United States of America which have been stripped by the Department of the Treasury of the United States of America; (d) non-callable bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) participation certificates of the General Services Administration; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) U.S. government guaranteed public housing notes and bonds; and (vii) project notes and local authority bonds of the U.S. Department of Housing and Urban Development; and (e) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds.

"*Event of Default*" means any of the events described in the South San Fernando 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 Tax 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 Tax 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 Tax 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) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"*Federal Securities*" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; (b) obligations of any agency or department of the United States of America which represent the full faith and credit of the United States of America or the timely payment of the principal of and interest on which are secured or guaranteed by the full faith and credit of the United States of America; and (c) any obligations issued by the State or any political subdivision thereof the payment of the principal of and interest and premium (if any) on which are fully secured by Federal Securities described in the preceding clauses (a) or (b).

"*Fiscal Year*" means any twelve-month period beginning on July1 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 as its official fiscal year period pursuant to a Certificate of the Agency filed with the Trustee.

"*Independent Accountant*" means any accountant or firm of such accountants appointed by or acceptable to the Agency, and who, or each of whom: (a) is in fact independent and not under the 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 annual or other audits of the books of or reports to the Agency.

"*Independent Redevelopment Consultant*" means any consultant or firm of such consultants appointed by or acceptable to 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 the domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of the South San Fernando Project Bonds or any Parity Debt; 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 Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250–77 Center Drive, Charlotte, North Carolina 28217, Attention: Called Bond Dept.; Kenny S&P, 55 Water Street, 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 services providing information with respect to called bonds as the Authority may designate in a 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 South San Fernando Indenture.

"*Interest Payment Date*" means each June 1 and December 1, commencing June 1, 2003, until the earlier of the redemption or final maturity of the South San Fernando Project Bonds.

"*Maximum Annual Debt Service*" means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Fiscal Year, the sum of (a) the amount of interest payable on the 2003 South San Fernando Project Bonds and all outstanding Parity Debt in such Fiscal Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the 2003 South San Fernando Project Bonds and on all outstanding Parity Debt in such Fiscal Year, including any principal required to be prepaid by operation of mandatory sinking fund payments. For purposes of such calculation, there shall be excluded a pro rata portion of each installment of principal of 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 from which amounts may not be released to the Agency unless the Tax Revenues for the current Fiscal Year, at least equal to one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service which would result if the amount on deposit in such escrow fund was applied to redeem such Parity Debt.

"*Minimum Rating*" means, with respect to any Permitted Investment that requires a Minimum Rating, a long-term rating of "A" or better from S&P or a short-term rating which is in the highest general rating category of S&P, in any event determined without regard to any refinement or gradation of such rating by a numerical modifier, a plus or a minus sign, or otherwise.

"*Moody's*" means Moody's Investors Service, New York, New York, and its successors.

"*Office*" means the corporate trust office of the Trustee at the location identified in the South San Fernando Indenture, except that with respect to presentation of South San Fernando Project Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted, or at such other place or places as may be designated by the Trustee from time to time in written notice filed with the Agency.

"*Original Purchaser*" means the Authority, as original purchaser of the 2003 South San Fernando Project Bonds.

"*Outstanding*", when used as of any particular time with reference to South San Fernando Project Bonds, means (subject to the provisions of the South San Fernando Indenture) all South San Fernando Project Bonds except: (a) South San Fernando Project Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) South San Fernando Project Bonds paid or deemed to have been paid within the meaning of the South San Fernando Indenture; and (c) South San Fernando Project Bonds in lieu of or in substitution for which other South San Fernando Project Bonds shall have been authorized, executed, issued and delivered by the Agency and authenticated by the Trustee pursuant to the South San Fernando Indenture.

"*Owner*" means, with respect to any South San Fernando Project Bond, the person in whose name the ownership of such South San Fernando Project Bond shall be registered on the Registration Books.

"*Parity Debt*" means any loans, bonds, notes, advances or indebtedness payable from Tax Revenues on a parity with the 2003 South San Fernando Project Bonds to finance the Redevelopment Project, issued or incurred pursuant to and in accordance with the first paragraph of the South San Fernando Indenture, or any Refunding Debt issued or incurred in accordance with the provisions of the second paragraph of the South San Fernando Indenture.

"*Parity Debt Instrument*" means any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"*Permitted Investments*" means any of the following which at the time of investment are determined by the Authority (any investment direction by Request of the Authority to the Trustee shall be deemed to be a representation by the Authority that such determination has been made as to such investment by the Authority) to be legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) Federal Securities.

(b) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration.

(c) Senior debt obligations rated AAA by S&P and Aaa by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation (or any other U.S.-sponsored agency) with remaining maturities not exceeding three (3) years.

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks, including the Trustee, its parent, if any, and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase.

(e) Registered state warrants or treasury notes or bonds of the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State, in each case, rated at least A by Moody's or S&P.

(f) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the City, or by a department, board, agency, or authority of the City, in each case, rated at least A by Moody's or S&P.

(g) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, or in obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

(h) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System. Purchases of bankers acceptances may not exceed 270 days' maturity.

(i) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's or S&P. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an A or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's or S&P. Purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation.

(j) Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by section 5102 of the Financial Code of the State) or by a state-licensed branch of a foreign bank.

(k) Investments in fully collateralized repurchase agreements or reverse repurchase agreements of any securities authorized by this definition, so long as the proceeds of the reverse repurchase agreement are invested solely to supplement the income normally received from these securities. For purposes of this paragraph, the term "repurchase agreement" means a purchase of securities by the Trustee or the Agency, as applicable, pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Trustee or the Agency, as applicable, by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. The term "counterparty" for the purposes of this paragraph, means the other party to the transaction whose general obligations are rated "A" or better by Moody's or S&P. A counterparty bank's trust department or safekeeping department may be used for physical delivery of the underlying security. The term of repurchase agreements shall be for one year or less. The term "securities," for purpose of repurchase under this paragraph, means securities of the same issuer, description, issue date, and maturity. The term "reverse repurchase agreement" means a sale of securities by the Trustee or the Agency, as applicable, pursuant to an agreement by which the Trustee or the Agency, as applicable, will repurchase such securities on or before a specified date and for a specified amount.

(l) Medium-term notes of a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this paragraph shall be rated in a rating category of AA or better by S&P and Aa or better by Moody's.

(m) Notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by section 53601 of the Government Code of the State as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by said section 53601 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(n) The Local Agency Investment Fund maintained by the Treasurer of the State.

(o) Guaranteed investment contracts with financial institutions whose (or whose holding company's) long-term unsecured debt is rated at least A by Moody's or S&P, for all or any portion of the moneys on deposit in the funds and accounts established under the South San Fernando Indenture, the provisions of which guaranteed investment contracts shall include the right of the Trustee or the Agency to draw in full thereunder in the event of the reduction or loss of the long-term debt rating of the issuer thereof and the maximum term for which guaranteed investment contracts shall be the payment date of the final South San Fernando Project Bond Outstanding under the South San Fernando Indenture.

(p) Money market mutual funds (including those of the Trustee and its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AAAm-G or AAAm by S&P or Aaa by Moody's; provided that the portfolio of such money market mutual fund is limited to obligations described in subparagraph (a) above and to agreements to repurchase such obligations.

(q) Any other investment described in section 53601 of the California Government Code and otherwise permitted under the Agency's investment policy as in effect at the time the investment is made. The Trustee shall be entitled to rely on a Request of the Authority as to any investment permitted under this clause (q) constituting a Permitted Investment.

"*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, (b) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, and (c) the period of time for establishing indebtedness payable from Tax Revenues.

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

"*Private Business Use*" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding use by a governmental unit and use by any person as a member of the general public.

"*Project Area*" means the Redevelopment Project area described in the Redevelopment Plan.

"*Qualified Reserve Account Credit Instrument*" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the South San Fernando Indenture, provided that all of the following requirements are met: (a) the long-term credit rating or claims paying ability of such bank or insurance company is in one of the three highest rating categories by S&P and Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the South San Fernando Indenture; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to the South San Fernando Indenture.

"*Record Date*" 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) calendar day is a Business Day.

"*Redemption Account*" means the account by that name established and held by the Trustee pursuant to the South San Fernando Indenture.

"*Redevelopment Fund*" means the fund by that name established and held by the Agency with respect to the Redevelopment Project pursuant to the Redevelopment Law.

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

"*Redevelopment Plan*" means the Redevelopment Plan for the South San Fernando Redevelopment Project of the Agency, approved by Ordinance No. 3468, enacted by the City Council of the City on June 10, 1997, together with any amendments to such Redevelopment Plan duly authorized pursuant to the Redevelopment Law.

"*Redevelopment Project*" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Redevelopment Law for the redevelopment of the project area described in the Redevelopment Plan.

"*Refunding Debt*" means any loan, bond, note, advance or indebtedness payable from Tax Revenues on a parity with the 2003 South San Fernando Project Bonds; provided that the proceeds thereof are used to refund all or a portion of the 2003 South San Fernando Project Bonds or any Parity Debt (and to pay costs of issuance of and fund a reserve fund for such Refunding Debt), and the debt service due on such Refunding Debt in any Fiscal Year in which the 2003 South San Fernando Project Bonds or such Parity Debt is Outstanding is not greater than the debt service due on the portion of the 2003 South San Fernando Project Bonds or any Parity Debt refunded with the proceeds of such Refunding Debt.

"*Registration Books*" means the records maintained by the Trustee pursuant to the South San Fernando Indenture for the registration and transfer of ownership of the South San Fernando Project Bonds.

"*Report*" means a document in writing signed by an Independent Accountant or an Independent Redevelopment Consultant and including: (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the South San Fernando 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 such person or firm to express an informed opinion with respect to the subject matter referred to in the Report.

"*Request of the Agency*" means a request in writing signed by the Chairman, Executive Director, Treasurer or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

"*Reserve Account*" means the fund established and held by the Trustee pursuant to the South San Fernando Indenture.

"*Reserve Requirement*" means, as of any calculation date, an amount equal to Maximum Annual Debt Service. The Reserve Requirement as of the Closing Date is $349,825.00.

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

"*Sinking Account*" means the account by that name established and held by the Trustee pursuant to the South San Fernando Indenture.

"*South San Fernando Indenture*" means the Indenture of Trust by and between the Agency and the Trustee, as amended or supplemented from time to time pursuant to any Supplemental Indenture entered into pursuant to the provisions of the South San Fernando Indenture.

"*South San Fernando Project Bonds*" means, collectively, the 2003 South San Fernando Project Bonds and any Parity Debt.

"*Special Fund*" means the fund by that name established and held by the Agency pursuant to the South San Fernando Indenture.

"*S&P*" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., New York, New York, and its successors.

"*State*" means the State of California.

"*Subordinate Debt*" means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of the South San Fernando Indenture, other than loans, advances or indebtedness involving the City as lender, which shall be subordinate to Subordinate Debt, which are either: (a) 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 subordinate to the pledge of and lien upon the Tax Revenues under the South San Fernando Indenture for the security of the 2003 South San Fernando Project Bonds and any Parity Debt.

"*Supplemental Indenture*" means any resolution, agreement or other instrument which amends, supplements or modifies the South San Fernando Indenture and 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 South San Fernando Indenture.

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

"*Tax Regulations*" means temporary and permanent regulations promulgated under section 103 and all related provisions of the Tax Code.

"*Tax Revenues*" means all taxes annually allocated and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State including (a) 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 and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal, interest and premium (if any) with respect to the 2003 South San Fernando Project Bonds and any Parity Debt; (i) but excluding amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to section 33334.3 of the Redevelopment Law, to the extent not permitted to be applied to the payment of principal, interest and premium (if any) with respect to the 2003 South San Fernando Project Bonds and/or any Parity Debt, and (ii) statutory pass-through obligations (if any), which constitute amounts payable by the Agency to affected taxing entities except and to the extent such amounts so payable are payable on a basis subordinate to the payment of the 2003 South San Fernando Project Bonds and any Parity Debt.

"*Term Bonds*" means any maturity of South San Fernando Project Bonds which is subject to mandatory Sinking Account redemption.

"*Trustee*" means Wells Fargo Bank, National Association, as Trustee under the South San Fernando Indenture, or any successor thereto appointed as Trustee in accordance with the provisions of the South San Fernando Indenture.

"*2003 South San Fernando Project Bond Proceeds Account of the Redevelopment Fund*" means the account by that name established by the South San Fernando Indenture as an account within the Redevelopment Fund.

"*2003 South San Fernando Project Bonds*" means the Redevelopment Agency of the City of Burbank 2003 Tax Allocation Bonds (South San Fernando Redevelopment Project) issued and Outstanding under the South San Fernando Indenture.

Deposit and Application of Proceeds of 2003 South San Fernando Project Bonds

Upon the receipt of payment for the 2003 South San Fernando Project Bonds on the Closing Date, the proceeds thereof shall be paid to the Trustee, and shall be deposited by the Trustee in a separate fund to be established by the Trustee to be known as the "2003 South San Fernando Project Bond Proceeds Fund" which shall be applied as follows: (a) the Trustee shall deposit in the Reserve Account an amount equal to the Reserve Requirement as of the Closing Date., and (b) the Trustee shall transfer the remaining amount to the Agency for deposit by the Agency in the 2003 South San Fernando Project Bond Proceeds Account of the Redevelopment Fund.

2002 Bond Proceeds Account of the Redevelopment Fund.

Amounts on deposit in the 2003 South San Fernando Project Bond Proceeds Account of the Redevelopment Fund shall be derived solely from the proceeds of the 2003 South San Fernando Project Bonds deposited therein and from the interest, profits and other income received from the investment of moneys in the 2003 South San Fernando Project Bond Proceeds Account of the Redevelopment Fund. Amounts in the 2003 South San Fernando Project Bond Proceeds Account of the Redevelopment Fund shall be used solely in the manner provided by the Law and the Redevelopment Plan to provide financing within or for the benefit of the Redevelopment Project. Upon completion of the project or projects for which proceeds of the 2003 South San Fernando Project Bonds were deposited in the 2003 South San Fernando Project Bond Proceeds Account of the Redevelopment Fund, any remaining amounts shall be transferred by the Agency to the Trustee for deposit in the Debt Service Fund and applied as a credit against the debt service requirements of the 2003 South San Fernando Project Bonds.

Parity Debt

In addition to the 2003 South San Fernando Project Bonds, the Agency may issue or incur Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any Parity Debt subject to the following specific conditions which are made conditions precedent to the issuance and delivery of such Parity Debt:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the South San Fernando Indenture;

(b) The Tax Revenues received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the Project Area as evidenced in a written document from an appropriate official of the County, exclusive of State subventions, shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the 2003 South San Fernando

Project Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt, excepting therefrom Maximum Annual Debt Service on any Refunding Debt;

(c) The aggregate amount of the principal of and interest on the 2003 South San Fernando Project Bonds, any Parity Debt and any Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limitations to be allocated and paid to the Agency following the issuance of such Parity Debt;

(d) Interest on such Parity Debt shall be payable on June 1 and December 1 in each year in which interest is payable on such Parity Debt, except the first twelve month period, during which interest may be payable on any June 1 or December 1;

(e) Principal on such Parity Debt shall be payable on December 1 in any year in which principal is payable;

(f) Money (and/or a Qualified Reserve Account Credit Instrument) shall be deposited in a reserve account from the proceeds of the sale of such Parity Debt in an amount sufficient to provide a total amount held for the 2003 South San Fernando Project Bonds and such Parity Debt to equal the Reserve Requirement; and

(g) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b), (c), (d), (e) and (f) above have been satisfied.

Subordinate Debt

In addition to the 2003 South San Fernando Project Bonds and Parity Debt, 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 South San Fernando Indenture and the proceedings for the issuance of any Parity Debt;

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues, then the aggregate amount of the principal of and interest to accrue on the 2003 South San Fernando Project Bonds, any Parity Debt and all Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limitations; and

(c) The Agency shall deliver to the Trustee a written certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in subsections (a) and (b) above have been satisfied.

Security of South San Fernando Project Bonds; Equal Security

The South San Fernando Project Bonds shall be secured by a pledge of and lien on all of the Tax Revenues, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The South San Fernando Project Bonds shall be additionally secured by a first and exclusive pledge of and lien upon all of the moneys in the Reserve Account, the Special Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account and the Redemption Account. Except for the Tax Revenues and amounts in the funds and accounts created under the South San Fernando Indenture including amounts in the Reserve Account and the Special Fund, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or premium (if any) on the South San Fernando Project Bonds

In consideration of the acceptance of the South San Fernando Project Bonds by those who shall hold the same from time to time, the South San Fernando Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of the South San Fernando Project Bonds, and the covenants and agreements in the South San Fernando Indenture set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the South San Fernando Project Bonds without preference, priority or distinction as to security or otherwise of any of the South San Fernando Project 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.

Special Fund; Deposit of Tax Revenues

The Agency shall deposit the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Agency, until such time (if any) during any Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred pursuant to the South San Fernando Indenture in any such Bond Year; and (except as may be otherwise provided in any Parity Debt Instruments) any Tax Revenues received during any such Bond Year in excess of such amounts shall be released from the pledge and lien under the South San Fernando Indenture and may be used for any lawful purposes of the Agency.

Prior to the payment in full of the principal of and interest and redemption premium (if any) on the South San Fernando Project Bonds and the payment in full of all other amounts payable under the South San Fernando Indenture and under any Parity Debt Instruments, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except only as provided in the South San Fernando Indenture and in any Parity Debt Instruments, and such moneys shall be used and applied as set forth in the South San Fernando Indenture and in any Parity Debt Instruments.

Debt Service Fund; Transfer of Amounts to Trustee

Within the Debt Service Fund, the Trustee shall establish an Interest Account, a Principal Account, a Reserve Account and a Redemption Account. The Agency shall withdraw from the Special Fund and transfer to the Trustee amounts required to meet the Agency's obligations under the South San Fernando Indenture. Moneys so transferred by the Agency to the Trustee shall be in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are established with the Trustee, in the following order of priority:

(a) *Interest Account*. At least fifteen (15 Business Days before each date on which interest on the South San Fernando Project Bonds becomes due and payable, 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 then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding South San Fernando Project Bonds on such date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the South San Fernando Project Bonds as it shall become due and payable (including accrued interest on any South San Fernando Project Bonds purchased or redeemed prior to maturity pursuant to the South San Fernando Indenture).

(b) *Principal Account*. At least fifteen (15 Business Days before each date on which principal of the South San Fernando Project Bonds becomes due and payable at maturity, 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 on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding South San Fernando Project 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 South San Fernando Project Bonds upon the maturity thereof.

(c) *Sinking Account*. Five (5) days before each date on which any Outstanding Term Bonds become subject to mandatory Sinking Account redemption, 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 subject to mandatory Sinking Account redemption on such date. 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 the mandatory Sinking Account redemption thereof.

(d) *Reserve Account*. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee (to the extent known to it) shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee from the Special Fund an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. Amounts in the Reserve Account shall be used and withdrawn by the Trustee (i) for the purpose of making transfers to the Authority Trustee pursuant to the Authority Indenture (and the Agency shall receive a credit for debt service due on the 2003 South San Fernando Project Bonds in the amount of any transfer so made), (ii) for the purpose of paying debt service due on any Parity Bonds to the extent that amounts in the Interest Account or the Principal Account are not sufficient for such purpose, or (iii) at any time for the retirement of all the South San Fernando Project Bonds then Outstanding consistent with the South San Fernando Indenture. So long as no Event of Default shall have occurred and be continuing, any amount in the Reserve Account in excess of the Reserve Requirement three (3) Business Days preceding each Interest Payment Date shall be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account on or before the Interest Payment Date.

The Agency shall have the right at any time to release any funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the South San Fernando Project Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Agency free and clear of the lien of the South San Fernando Indenture. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (d).

At least fifteen (15) days prior to the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Reserve Account is equal to the Reserve Requirement (without taking into account such expiring Qualified Reserve Account Credit Instrument). In the event that the Agency shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Account Credit Instrument in full and deposit the proceeds of such draw in the Reserve Account.

In the event that the Reserve Requirement shall at any time be maintained in the Reserve Account in the form of a combination of cash and a Qualified Reserve Account Credit Instrument, the

Trustee shall apply the amount of such cash to make any payment required to be made from the Reserve Account before the Trustee shall draw any moneys under such Qualified Reserve Account Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Account Credit Instrument to make any payment then required to be made from the Reserve Account, the Tax Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be made pursuant to the South San Fernando Indenture, shall be used to reinstate the Qualified Reserve Account Credit Instrument.

The Reserve Account may be maintained at the specific direction of the Agency in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of the South San Fernando Project Bonds in conformity with applicable provisions of the Tax Code.

(e) *Redemption Account*. At least fifteen (15 Business Days before each date on which South San Fernando Project Bonds are subject to redemption, other than mandatory Sinking Account redemption of Term Bonds, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the South San Fernando Project Bonds to be so redeemed on such date. 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 South San Fernando Project Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

In addition to the deposits and transfers referred to above, the Trustee shall deposit to the Interest Account any amount received by it from the Authority Trustee and paid pursuant to the provisions of the Authority Indenture.

Investment By Trustee of Moneys in Funds

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account shall be invested by the Trustee in Permitted Investments specified in the Request of the Agency delivered to the Trustee at least two (2) Business Days in advance of the making of such investments; *provided, however,* that in the absence of any such direction from the Agency, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (f) of the definition thereof. Moneys in the Special Fund shall be invested by the Agency in any obligations in which the Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. Whenever in the South San Fernando Indenture any moneys are required to be transferred by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the South San Fernando Indenture shall be retained in the respective fund or account from which such investment was made; *provided, however,* that (i) all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement, and (ii) so long as no Event of Default shall have occurred and be continuing, all interest or gain on investments of amounts in the Special Fund shall be released from the pledge of the South San Fernando Indenture and used by the Agency for any lawful purposes. For purposes of acquiring any investments under the South San Fernando Indenture, the Trustee may commingle funds held by it under the South San Fernando Indenture upon receipt by the Trustee of the Request of the Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to the South San Fernando Indenture.

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, 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 South San Fernando Indenture.

The Trustee may make any investments under the South San Fernando Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate. 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 South San Fernando Indenture.

Certain Covenants of the Agency

Punctual Payment. The Agency will punctually pay or cause to be paid the principal of and interest on the South San Fernando Project Bonds, together with any redemption premiums thereon, in strict conformity with the terms of the South San Fernando Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the South San Fernando Indenture.

Limitation on Superior Debt. The Agency covenants that, so long as the South San Fernando Project Bonds remain unpaid, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a lien on all or any part of the Tax Revenues which is superior to the lien established under the South San Fernando Indenture for the security of the South San Fernando Project Bonds. The Agency covenants that, so long as the South San Fernando Project Bonds remain unpaid, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a lien on all or any part of the Tax Revenues which is on a parity with the lien established under the South San Fernando Indenture for the security of the South San Fernando Project Bonds, excepting only Parity Debt. Nothing is intended or shall be construed in any way to prohibit or impose any limitations upon the issuance by the Agency of loans, bonds, notes, advances or other indebtedness which are unsecured or which are secured by a junior lien on the Tax Revenues, except as otherwise provided in the South San Fernando Indenture.

Payment of Claims. The Agency will 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 any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the South San Fernando Project Bonds. Nothing shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

Books and Accounts. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues and the Special Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee and the Owners of any South San Fernando Project Bonds then Outstanding, or their representatives authorized in writing. The Trustee shall have no duty to review such books of record and account.

Disposition of Property. 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 South San Fernando Indenture) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Redevelopment

Project (calculating such ten percent against land in the Project Area owned by private parties as of the Closing Date) unless such disposition is permitted as hereinafter provided in the South San Fernando 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 security of the South San Fernando Project Bonds and the rights of the South San Fernando Project Bond Owners and the Trustee under the South San Fernando Indenture will not be materially impaired by said proposed disposition, the Agency may thereafter make such disposition. If said Report concludes that such security will be materially impaired by said proposed disposition, the Agency shall disapprove said proposed disposition.

Maintenance of Tax Revenues. 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 enter into any agreement with the County or any other governmental unit, or modify the Redevelopment Plan in any manner, unless, following such amendment or modification, the Tax Revenues for the most recent Fiscal Year (as evidenced in a written document from an appropriate official of the Agency), plus the Additional Allowance, at least equals one hundred fifty percent (150%) of the Maximum Annual Debt Service on the South San Fernando Project Bonds as certified by an Independent Redevelopment Consultant.

Tax Covenants.

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

(b) **No Arbitrage**. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the 2003 South San Fernando Project Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Authority Bonds to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

(c) **Private Activity Bond Limitation**. The Agency shall assure that the proceeds of the 2003 South San Fernando Project Bonds are not so used as to cause the Authority Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

(d) **Maintenance of Tax-Exemption**. The Agency shall take all actions necessary to assure the exclusion of interest on the Authority Bonds from the gross income of the Owners of the Authority Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Authority Bonds.

(e) **Payment of Rebatable Amounts**. The Agency agrees to furnish all information to, and cooperate fully with, the Authority, the Authority Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of the Authority Indenture. In the event that the Authority shall determine, pursuant to the Authority Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Authority Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the South San Fernando Project Bonds) to make such payment, the Authority shall promptly notify the Agency of such fact. Upon receipt of any such notice, the Agency shall promptly pay to the Authority Trustee from

available Tax Revenues or any other source of legally available funds, for deposit into the Rebate Account, the amounts determined by the Authority to be due and payable to the United States of America as a result of the investment of amounts on deposit in any fund or account established under the South San Fernando Indenture, together with all other amounts due and payable to the United States of America.

Annual Review of Tax Revenues. The Agency shall annually review the total amount of Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitations, as well as future cumulative annual debt service. If remaining Tax Revenues allocable within the Redevelopment Plan's cumulative tax increment limit are less than one hundred five percent (105%) of all future debt service on the South San Fernando Project Bonds and any other obligations of the Agency payable from Tax Revenues, all Tax Revenues not needed to pay current or any past due debt service on any Agency obligations or to replenish the Reserve Account to the Reserve Requirement shall be deposited into a Trustee-held escrow account and invested in Defeasance Securities. Such fund must be used only to pay debt service on the South San Fernando Project Bonds.

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the obligations on its part under the Continuing Disclosure Agreement. Notwithstanding any other provision of the South San Fernando Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee, at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2003 South San Fernando Project Bonds, shall (but only to the extent it has been indemnified to its satisfaction from any cost, claim, liability or expense, including, without limitation fees and expenses of its attorneys) or any 2003 South San Fernando Project Bondholder may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Amendment With Consent of Owners

The South San Fernando 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 contained in the South San Fernando Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved in the South San Fernando Indenture 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 South San Fernando 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 materially adversely affect the interests of the Owners in the opinion of Bond Counsel;

(c) to provide for the issuance of Parity Debt, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the South San Fernando Indenture; or

(d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the South San Fernando Project Bonds.

Except as set forth in the preceding paragraph, the South San Fernando 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 consents of the Owners of a majority in aggregate principal amount of the South San Fernando Project Bonds then Outstanding are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any South San Fernando Project Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any South San Fernando Project Bond without the express written consent of the Owner of such South San Fernando Project Bond, (b) reduce the percentage of South San Fernando Project Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Events of Default and Remedies

The following events shall constitute Events of Default under the South San Fernando Indenture:

(a) Failure to pay any installment of the principal of any South San Fernando Project Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on any South San Fernando Project Bonds when and as the same shall become due and payable.

(c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part in the South San Fernando Indenture or in the South San Fernando Project Bonds contained, if such failure shall have continued for a period of sixty (60) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Agency by the Trustee; *provided, however*, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such sixty (60) day period and the Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) The occurrence of an Event of Default under and as defined in any Parity Debt Instrument.

Notwithstanding the foregoing, there shall be no Event of Default as a consequence of failure to fully pay the principal and interest due on the 2003 South San Fernando Project Bonds, so long as debt service on the Authority Bonds is fully paid when due.

If an Event of Default has occurred and is continuing, the Trustee upon being indemnified to its satisfaction therefor, may, or with the consent of the Owners of a majority in aggregate principal amount of the South San Fernando Project Bonds then Outstanding, by written notice to the Agency, shall, exercise any remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware 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 (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided in the South San Fernando Indenture for notices of redemption of the South San Fernando Project Bonds.

So long as an Event of Default exists, all sums received by the Trustee under the South San Fernando Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of the reasonable fees, costs and expenses of the Trustee (including reasonable fees and expenses of its counsel) incurred in and about the performance of its powers and duties under the South San Fernando Indenture and the payment of all reasonable fees, costs and expenses owing to the Trustee pursuant to the South San Fernando Indenture; and

(b) To the payment of the whole amount of interest on and principal of the South San Fernando Project Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding South San Fernando Project Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

> *first*, to the payment of all installments of interest on the South San Fernando Project Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,
>
> *second*, to the payment of principal of all installments of the South San Fernando Project Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full, and
>
> *third*, , to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Defeasance of South San Fernando Project Bonds

If the Agency shall pay and discharge the entire indebtedness on any South San Fernando Project Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on such South San Fernando Project Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the South San Fernando Indenture, in the opinion or report of an Independent Accountant or Bond Counsel is fully sufficient to pay such South San Fernando Project Bonds, including all principal, interest and redemption premium, if any;

(c) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Securities in such amount as an Independent Accountant or Bond Counsel shall determine will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established pursuant to the South San Fernando Indenture, be fully sufficient to pay and discharge the indebtedness on such South San Fernando Project Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

(d) by purchasing such South San Fernando Project Bonds prior to maturity and tendering such South San Fernando Project Bonds to the Trustee for cancellation;

and if such South San Fernando Project Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such South San Fernando Project Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the South San Fernando Indenture and all other obligations of the Trustee and the Agency under the South San Fernando Indenture with respect to such South San Fernando Project Bonds shall cease and terminate, except only (a) the obligations of the Agency under the South San Fernando Indenture, (b) the obligation of the Trustee to transfer and exchange South San Fernando Project Bonds under the South San Fernando Indenture, (c) the obligation of the Agency to pay or cause to be paid to the Owners of such South San Fernando Project Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (d) the obligations of the Agency to compensate and indemnify the Trustee pursuant to the South San Fernando Indenture. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Agency, to be used for any lawful purpose of the Agency.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Burbank Public Financing Authority
275 East Olive Avenue
Burbank, California 91502

OPINION: $5,235,000 Burbank Public Financing Authority Revenue Bonds, 2003 Series B (South San Fernando Redevelopment Project)

Members of the Authority:

We have acted as bond counsel to the Burbank Financing Authority (the "Authority") in connection with the delivery by the Authority of $5,235,000 aggregate principal amount of its bonds designated the "Burbank Public Financing Authority Revenue Bonds, 2003 Series B (South San Fernando Redevelopment Project)" (the "Bonds"), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code (the "Bond Law"), and pursuant to an Indenture of Trust, dated as of February 1, 2003 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee, and a resolution adopted by the board of directors of the Authority on January 14, 2003. We have examined the Bond Law, the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

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

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Authority and are legal, valid and binding obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the Redevelopment Agency of the City of Burbank (the "Agency"), comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Agency have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2002

KPMG

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Basic Financial Statements

(With Independent Auditors' Report Thereon)

June 30, 2002

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Table of Contents

KPMG

355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Agency Members
Redevelopment Agency of the City of Burbank
Burbank, California:

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Burbank (Agency), a component unit of the City of Burbank, California, as of and for the year ended June 30, 2002, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Burbank as of June 30, 2002 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the basic financial statements, the Agency adopted Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments: Omnibus,* No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001. Adjustments to beginning net assets/fund balances resulting from adoption of these standards are described in this note.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2002 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Redevelopment Agency of the City of Burbank's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

November 22, 2002

The information presented in the "Management's Discussion and Analysis" is intended to be a narrative overview of the Redevelopment Agency of the City of Burbank's (Agency) financial activities for the fiscal year ended June 30, 2002. We encourage readers to consider this information in conjunction with the accompanying basic financial statements. All amounts are expressed in thousands of dollars.

In June 1999, the Governmental Accounting Standards Board (GASB), which sets the financial reporting requirements for all state and local governments, established a new framework for financial reports. This new framework represents the biggest single change in the history of governmental accounting. These changes, which are collectively known as *GASB Statement 34: Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments,* are required to be implemented this fiscal year.

The changes provide reporting that is similar to private sector companies by showing agencywide financial statements with a "Net Assets" bottom line approach. However, government agencies are mandated to account for certain resources and activities separately, thereby necessitating a financial format by fund as shown in the Governmental Fund Statements section. The presentation of these two different types of statements together in one report requires the inclusion of two reconciliations found on pages 14 and 16 to assist the reader.

Financial Highlights

- The liabilities of the Agency exceeded its assets at the close of fiscal year June 30, 2002 by $44,951 (net assets). Liabilities of the Agency exceed its assets due to the issuance of long-term debt for redevelopment of assets of which the Agency does not own or subsequently contribute.
- The Agency's total net assets increased by $8,924 in fiscal year 2001-02.
- As of the close of fiscal year June 30, 2002, the Agency's governmental funds reported combined ending fund deficits of $14,297, an increase of $4,801 from the prior year. The Agency's total debt decreased by $4,105 during the current fiscal year. The decrease is principally due to a reduction of its bonded indebtedness, as shown on note 8 of the notes to basic financial statements.

(Continued)

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Redevelopment Agency of the City of Burbank's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) agencywide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements and required supplementary information, this report also contains a calculation showing that the Agency has no excess surplus in its low and moderate income housing funds and budgetary comparison information for nonmajor governmental funds.

Agencywide Financial Statements

The *agencywide financial statements* are designed to provide readers with a broad overview of the Agency's finances. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the fiscal year's revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus assets, liabilities, and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods.

This is the first year that the City of Burbank (City) has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. Because this reporting model changes significantly both the recording and presentation of financial data, the City has not restated prior fiscal years for the purposes of providing comparative information for the MD&A. In future years, when prior year information is available, a comparative analysis of governmentwide data will be included in this report.

- The *Statement of Net Assets* presents all of the Agency's assets and liabilities, with the difference reported as *net assets (deficits)*. Over time, increases or decreases in net assets may serve as a useful indicator to determine whether the financial position of the Agency is improving or deteriorating.
- The *Statement of Activities* presents information showing the Agency's revenues and expenses for the fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and nonprogram revenues for support.

Both of the agencywide financial statements highlight functions of the Agency that are principally supported by property tax increment and bond proceeds from prior years. The governmental activities of the Agency include redevelopment activities in four of its project areas and interest on long-term debt. Redevelopment activities, in general, include providing needed public improvements, assisting with development and rehabilitation of existing properties, and providing low and moderate income housing to eliminate or alleviate blighting conditions.

The Agencywide Financial Statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency only has governmental fund types.

Governmental funds – Government funds are used to account for essentially the same functions reported as *governmental activities* in the agencywide financial statements. However, unlike the agencywide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the agencywide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the agencywide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation on pages 14 and 16 to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains nine individual governmental funds, of which seven are considered to be major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances, for each of these funds.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the agencywide and fund financial statements. The notes to basic financial statements can be found on pages 17-32 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information relating to the Agency's budget for its major capital projects and debt service funds. To demonstrate compliance with the budget, individual schedules comparing final budget and actual expenditures can be found in the supplementary information section in this report.

(Continued)

Agencywide Financial Analysis

Our agencywide analysis focuses on the net assets and changes in net assets for the Agency's governmental activities.

A summary of the Agency's net assets is as follows:

Summary of Net Assets (Deficit)
June 30, 2002

		Governmental activities
Noncapital assets	$	70,003
Capital assets		51,948
Total assets		121,951
Other liabilities		7,466
Long-term liabilities		159,436
Total liabilities		166,902
Net assets (deficit):		
Invested in capital assets, net of related debt		549
Restricted		30,588
Unrestricted		(76,088)
Total net assets (deficit)	$	(44,951)

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. In the case of the Agency, liabilities exceeded assets by $44,951 at June 30, 2002.

By far the largest portion of the Agency's net deficits reflects its bonded indebtedness and other long-term obligations totaling $159,436. The Agency, operating under California Redevelopment Law, must maintain debt in excess of its available assets to legally receive tax increment revenue. Bond funds are used to construct infrastructure, which becomes an asset of the City, or to alleviate blight. These expenditures do not generally create assets to offset bonded debt. Future tax increment revenues must be used to liquidate noncurrent bond liabilities.

Governmental Activities

Governmental activities increased the Agency's net assets by $8,924. Key elements of this increase are as follows:

Summary of Activities
Year ended June 30, 2002

	Governmental activities
Revenues:	
Program revenues:	
Charges for services	$ 1,602
General revenues:	
Property taxes	24,402
Investment income	2,555
Miscellaneous	169
Total program and general revenues	28,728
Expenses:	
Redevelopment activities	13,946
Interest on long-term debt	5,858
Total expenses	19,804
Increase in net assets	8,924
Net assets (deficits) – July 1, 2001, as restated	(53,875)
Net assets (deficits) – June 30, 2002	$ (44,951)

Property tax increment revenues ($24,402) are the Agency's major revenue source. This revenue decreased by $1,341 or 5% from the prior year, as a result of one-time adjustments. In the current fiscal year, tax increment in the Golden State Project Area was reduced by $1,747 due to one-time property tax refunds. In the prior fiscal year, a prior year tax increment of $1,858 was recognized after an amendment to the West Olive Project Area was completed. Excluding these two adjustments, property taxes would have increased by $2,264 or 9%, due to increased assessed valuation and new developments.

Investment earnings ($2,555) were received from investments of available funds and from interest on loans to low and moderate income housing developers.

Redevelopment activities expenses ($13,946) shown on the statement of activities consist of:

Capital redevelopment and public improvement projects	$	7,504
Low and moderate housing projects		4,005
Pass-through payments and County collection fees		2,437
Total redevelopment activities expenses	$	13,946

Capital redevelopment improvement projects ($7,504) are comprised of expenses for projects such as undergrounding utilities near the Ontario Child Care Center, loss on land held for resale, asbestos/lead removal from City facilities, as well as project implementation and administrative costs.

Low and moderate housing expenses ($4,005) included monitoring the affordability covenants of existing housing projects, funding several low/mod loan programs, relocation payments, and administrative costs.

Financial Analysis of the Agency's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2002, the Agency's governmental funds reported combined ending fund deficit balances of $(14,297), an increase of $4,801 from the prior year. Undesignated deficits were $64,537 leaving $50,240 in reserved fund balances.

The fund balance of the Golden State Capital Projects Fund increased $4,435 during the current fiscal year to $11,203 as of June 30, 2002, primarily due to transfers of funds from the debt service fund. These transfers represent tax increment and other funds, which were not needed to pay current debt service payments.

The fund balance of the City Centre Capital Projects Fund increased $124 during the current fiscal year to $(63,004) as of June 30, 2002, primarily due to interest earnings, and transfers from other funds greater than expenditures.

The fund balance of the West Olive Capital Projects Fund increased $2,847 during the current fiscal year to $6,179 as of June 30, 2002, primarily due to transfers of funds from the debt service fund. These transfers represent tax increment and other funds, which were not needed to pay current debt service payments.

The fund balance of the Golden State Debt Service Fund increased $180 during the current fiscal year to $5,283 as of June 30, 2002. This is the net result of increases in transfers out, offset by decreases in interest and other charges, and tax increment receipts.

(Continued)

The fund balance of the City Centre Debt Service Fund increased $36 during the current fiscal year to $1,873 as of June 30, 2002. This is the net result of increases in transfers out, and property taxes, offset by decreases in interest and other charges, and revenues from use of money and property.

The fund balance of the West Olive Debt Service Fund decreased $3,780 during the current fiscal year to $3,918 as of June 30, 2002. This is due to transfers of funds held in a debt service reserve as required by a bond issue indenture, which were no longer needed due to making the final payment on the bond issue.

The fund balance of the Low and Moderate Income Housing Fund increased $419 during the current fiscal year to $23,237 as of June 30, 2002. This is the net result of decreases in use of money and property, and administrative expenditures, offset by decreases in transfers in from other fund for the 20% set-aside contribution.

Capital Asset and Debt Administration

Capital Assets

The Agency's investment in capital assets for its governmental activities as of June 30, 2002 amounts to $64,299. This investment in capital assets includes land held for resale and land held under operating lease. A summary of the Agency's capital assets follows:

Land held under operating lease	$	51,948
Land held for resale		12,351
Total	$	64,299

The land held under operating lease is the land upon which the Media City Centre mall was built. The City entered into a 99-year lease agreement for $1 per year with the mall developer in exchange for their commitment to operate a major regional shopping center at the site.

Land held for resale represents several parcels purchased for various Redevelopment purposes including the creation of low and moderate income housing projects, and assembling smaller parcels into a usable size.

Long-Term Liabilities

At the end of the current fiscal year, the Agency had total bonded debt of $82,620. The bonds are secured solely by specified revenue sources (i.e., property tax increment).

The Agency's total debt decreased $4,105 (5.0%) during the current fiscal year. Decreases were due to scheduled debt service payments made on various outstanding obligations.

Time limitations on incursion of debts exist in all project areas. Time limitations vary by the date when an area was added to the project.

Project area	Time limitation to incur debt
Golden State	January 1, 2004
City Centre	January 1, 2004
West Olive	January 1, 2004
South San Fernando	July 26, 2017

The Agency does not have an overall credit rating. However, the Agency has received bond ratings of "Baa" and AAA" on its outstanding bond issues for the 1993 Golden State Redevelopment Project Tax Allocation Bonds and 1993 City Centre Redevelopment Project Tax Allocation Bonds, respectively.

Additional information on outstanding long-term liabilities may be found in note 8 of the notes to basic financial statements.

Economic Factors and Next Year's Budget

The assessed value of property is expected to rise in the redevelopment project areas as a result of the implementation of significant redevelopment commercial and residential developments already approved by the City Council, such as the Airport Plaza office building, the Burbank Empire Center shopping area, Media Studios North office building, and a few others. The shift of $860 to the State of California Educational Revenue Augmentation Fund will have an impact to the Golden State project area ($628), and the South San Fernando project area ($232) in funding these planned projects.

Request for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Redevelopment Agency of the City of Burbank, 275 E. Olive Ave, Burbank, California 91502.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Statement of Net Assets (Deficits)

June 30, 2002

(In thousands)

Assets:		
Cash and investments (note 2)	$	45,670
Accounts receivable		100
Interest receivable		526
Tax receivable		187
Notes receivable, net (note 3)		10,465
Intergovernmental receivables		633
Other assets		71
Land held for resale, net (note 6)		12,351
Capital assets, net (note 7)		51,948
Total assets		121,951
Liabilities:		
Accounts payable and other liabilities		3,431
Due to City of Burbank		850
Deferred revenue		3,185
Long-term liabilities (note 8):		
Due within one year		1,965
Due in more than one year		157,471
Total liabilities		166,902
Net assets (deficit)		
Invested in capital assets, net of related debt		549
Restricted – expendable:		
Debt service		7,351
Low and moderate income housing		23,237
Capital projects		—
Total restricted		30,588
Unrestricted		(76,088)
Total net assets (deficits)	$	(44,951)

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Statement of Activities

Year ended June 30, 2002

(In thousands)

		Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense) revenue and changes in net assets: Total
Functions/programs primary government:						
Governmental activities:						
Community Development	$	13,946	(1,602)	—	—	(12,344)
Interest on long-term debt		5,858	—	—	—	(5,858)
Total governmental activities		19,804	(1,602)	—	—	(18,202)
General revenues:						
Property taxes						24,402
Investment earnings						2,555
Miscellaneous						169
Total general revenues						27,126
Change in net assets						8,924
Net assets (deficits) – beginning of year, as restated						(53,875)
Net assets (deficits) – end of year						$ (44,951)

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Balance Sheet – Governmental Funds

June 30, 2002

(In thousands)

	Capital projects				Debt service				
Assets	Golden State Project Area	City Centre Project Area	West Olive Project Area	Low and Moderate Income Housing Fund	Golden State Project Area	City Centre Project Area	West Olive Project Area	Nonmajor Governmental Funds	Totals
Cash and cash investments (note 2)	$ 10,590	1,787	3,785	18,367	6,625	3,153	37	1,326	45,670
Accounts receivable	51	—	—	2	—	—	—	—	53
Interest receivable	108	—	12	212	105	34	43	12	526
Taxes receivable	—	—	—	—	—	30	78	79	187
Notes receivable (note 3)	6,617	47	—	3,609	—	—	—	239	10,512
Interfund receivable (note 4)	—	—	—	—	86	—	—	—	86
Intergovernmental receivable	633	—	—	—	—	—	—	—	633
Prepaid items and deposits	—	—	—	—	—	—	71	—	71
Advances to other funds (note 5)	18,111	—	1,530	—	—	—	—	—	19,641
Land held for resale, net (note 6)	825	5,970	1,830	3,726	—	—	—	—	12,351
Total assets	$ 36,935	7,804	7,157	25,916	6,816	3,217	229	1,656	89,730
Liabilities and Fund Balances (Deficits)									
Liabilities:									
Accounts payable	$ 100	282	3	123	1,533	1,308	5	95	3,449
Interfund payable (note 4)	—	—	—	—	—	—	86	—	86
Due to City of Burbank	—	847	—	3	—	—	—	—	850
Deferred revenue	632	—	—	2,553	—	—	—	—	3,185
Advances from other funds (note 5)	—	18,280	750	—	—	—	—	611	19,641
Advances from the City of Burbank (note 8)	25,000	51,399	225	—	—	—	—	192	76,816
Total liabilities	25,732	70,808	978	2,679	1,533	1,308	91	898	104,027
Fund balances (deficits):									
Reserved for encumbrances	146	—	54	178	—	—	—	25	403
Reserved for land held for sale	825	5,970	1,830	3,726	—	—	—	—	12,351
Reserved for advances to other funds	18,111	—	1,530	—	—	—	—	—	19,641
Reserved for notes receivable	6,617	47	—	3,609	—	—	—	239	10,512
Reserved for debt service	—	—	—	—	5,283	1,909	138	3	7,333
Unreserved, designated	(14,496)	(69,021)	2,765	15,724	—	—	—	491	(64,537)
Total fund balances (deficits)	11,203	(63,004)	6,179	23,237	5,283	1,909	138	758	(14,297)
Total liabilities and fund balances (deficits)	$ 36,935	7,804	7,157	25,916	6,816	3,217	229	1,656	89,730

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets (Deficit)

June 30, 2002

(In thousands)

Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Total fund deficits – governmental funds	$	(14,297)
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in funds		51,948
Long-term liabilities, including bonds payable and accrued interest payable, that are not payable in the current period and, therefore, not reported in funds		(82,602)
Net assets (deficits) of governmental activities	$	(44,951)

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Governmental Funds

Year ended June 30, 2002

(In thousands)

		Capital projects				Debt service				
		Golden State Project Area	City Centre Project Area	West Olive Project Area	Low and Moderate Income Housing Fund	Golden State Project Area	City Centre Project Area	West Olive Project Area	Nonmajor Governmental Funds	Totals
Revenues:										
Property tax allocation	$	—	—	—	—	12,921	5,784	4,461	1,236	24,402
Use of money or property		518	27	139	1,002	654	177	192	71	2,780
Charges for services		1,224	—	—	278	—	—	—	—	1,502
Other income		—	—	—	—	—	475	—	—	475
Total revenues		1,742	27	139	1,280	13,575	6,436	4,653	1,307	29,159
Expenditures:										
General government – administrative services		1,915	646	212	2,950	187	104	29	261	6,304
Capital outlay – general capital improvements		630	1,617	—	1,111	—	—	—	49	3,407
Debt service:										
Principal		—	—	—	—	1,325	545	2,235	—	4,105
Interest and others		—	—	—	—	3,997	4,007	2,334	204	10,542
Total expenditures		2,545	2,263	212	4,061	5,509	4,656	4,598	514	24,358
Excess (deficiency) of revenues over (under) expenditures		(803)	(2,236)	(73)	(2,781)	8,066	1,780	55	793	4,801
Other financing sources (uses):										
Transfers in (note 4)		5,238	2,360	2,920	5,000	—	—	—	803	16,321
Transfers out (note 4)		—	—	—	(1,800)	(7,886)	(1,744)	(3,835)	(1,056)	(16,321)
Total other financing sources (uses)		5,238	2,360	2,920	3,200	(7,886)	(1,744)	(3,835)	(253)	—
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		4,435	124	2,847	419	180	36	(3,780)	540	4,801
Fund balances (deficits):										
Beginning of year, as restated (note 1)		6,768	(63,128)	3,332	22,818	5,103	1,873	3,918	218	(19,098)
End of year	$	11,203	(63,004)	6,179	23,237	5,283	1,909	138	758	(14,297)

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Reconciliation of the Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities

June 30, 2002

(In thousands)

Net change in governmental activities in the statement of activities are different because:		
Net change in fund balances (deficits) – governmental funds	$	4,801
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		18
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets (deficits)		4,105
Change in net assets (deficits) of governmental activities	$	8,924

See accompanying notes to basic financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The Redevelopment Agency of the City of Burbank (Agency) was activated by the City Council of the City of Burbank by Ordinance No. 2223, adopted on May 12, 1970 under the provisions of the State of California Community Redevelopment Law. The members of the City Council sit ex officio as the board of directors of the Agency. The Agency meets the criteria established by the Governmental Accounting Standards Board for inclusion as a component unit of the City of Burbank, California (the City) for financial reporting purposes; accordingly, the financial activities of the Agency are blended within the Comprehensive Annual Financial Report of the City.

The Agency has the authority to acquire, develop, administer, and sell or lease property, including the right to issue bonds and expend their proceeds, all in conformity with previously adopted formal redevelopment plans. The California Community Redevelopment Law provides that, on adoption of a redevelopment plan, all future tax revenues attributable to increases in the tax base within a project shall be paid into a special fund of the Agency to pay the principal and interest, advances, and other indebtedness of the Agency.

The Agency currently has designated four principal project areas, the highlights of which are as follows:

- Golden State Project Area – This project area, which encompasses approximately 1,100 acres, was adopted in October 1970 and amended in January 1973. The project area includes the Burbank-Glendale-Pasadena Airport and surrounding area adjacent to the Golden State Freeway. The numerous parcels that comprise this project area contain a variety of industrial and commercial structures. Improvements made in this area include removal of substandard buildings, elimination of environmental deficiencies, restructuring of obsolete street patterns and odd-shaped lot patterns, creation of new sites for commercial and industrial development, and expansion of employment opportunities.
- City Centre Project Area – This project area was adopted in July 1971 and amended in July 1974. The 212-acre area encompasses City Hall and other City buildings as well as the Media City Centre Mall. The project area contains a variety of commercial and residential structures. Objectives of the City Centre Project include expansion of retail business, development of mixed-use housing and commercial facilities, elimination of detrimental land use and environmental deficiencies, and provision for overall beautification of the Burbank downtown area.
- West Olive Project Area – This project area was adopted in December 1976. The project area consists of a mixture of residential, commercial, and media-related commercial and industrial facilities. The project encompasses the City's major medical center and several large movie and television studios. The focus of the West Olive Project has been to work with existing property owners toward upgrading and developing their facilities. The Agency has also provided for traffic reconfiguration and improvements.

(Continued)

- South San Fernando Project Area – This project was adopted in June 1997 and encompasses 468 acres. The project area was formed to eliminate blight, encourage development of properties supporting alternative transportation, and remove impediments to development by assembling properties into reasonable sizes and shapes.

20% of the tax increments of each project area is set aside in a low and moderate income housing fund and is used for projects benefiting low and moderate income households for all project areas.

(b) Basis of Accounting and Measurement Focus

The basic financial statements of the Agency are composed of the following:

- Agencywide financial statements
- Fund financial statements
- Notes to basic financial statements.

Agencywide Financial Statements

Agencywide financial statements (i.e., the statement of net assets (deficits) and the statement of activities) display information about the Agency as a whole. All significant interfund activity has been eliminated in the statement of activities. The Agency provides only governmental activities, which are supported principally by property tax allocations. Agencywide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Amounts paid to acquire capital assets are capitalized as assets in the agencywide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the agencywide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

In the Agencywide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt: This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Assets: This category presents external restrictions imposed by creditors, grantors, contributions, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets: Represents the net assets (deficits) of the City, not restricted for any project or other purpose. This category is in a deficit position primarily because long-term debt is in excess of capital assets owned by the Agency. The Agency issues debt for construction and/or acquisition of assets.

Fund Financial Statements

The accounting system of the Agency is organized and operated on the basis of separate funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. The modified-accrual basis of accounting is defined as the basis of accounting under which expenditures, other than accrued interest on long-term debt, are recorded at the time liabilities are incurred. Revenues are recorded when received in cash, except for measurable and available revenues, which are defined as available to finance current period expenditures and are accrued to properly reflect the revenues earned. Revenues, which are susceptible to accrual, include property tax allocations, investment income, and rental income.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. Generally, only current assets and current liabilities are included on the balance sheets. However, noncurrent portions of long-term receivables related to governmental funds are also reported on the balance sheets and are offset by deferred revenue or fund balance reserve accounts. Statements of revenues, expenditures, and changes in fund balances (deficits) for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

(c) Major Funds

The Agency considers the following funds as major government funds:

- Golden State Capital Projects – This fund is used to account for all capital projects and their administration within the Golden State Project Area of the Agency.
- City Centre Capital Projects – This fund is used to account for all capital projects and their administration within the City Centre Project Area of the Agency.
- West Olive Capital Projects – This fund is used to account for all capital projects and their administration within the West Olive Project Area of the Agency.
- Golden State Debt Service – This fund is used to account for all debt service payments and tax increment receipts within the Golden State Project Area of the Agency.
- City Centre Debt Service – This fund is used to account for all debt service payments and tax increment receipts within the City Centre Project Area of the Agency.

- West Olive Debt Service – This fund is used to account for all debt service payments and tax increment receipts within the West Olive Project Area of the Agency.
- Low and Moderate Income Housing – This fund is used to account for all capital projects and their administration required under redevelopment law for low and moderate income housing.

(d) Accounting Changes and Restatements

On July 1, 2001, the Agency adopted four new accounting statements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*;
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government: Omnibus*;
- Statement No. 38, *Certain Financial Statement Note Disclosures*; and
- Interpretation 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the basic financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. The Agencywide financial statements do not provide information by the fund or account group but distinguish between the governmental activities and business-type activities. The Agency has no business-type activities. Significantly, the Agency's statement of net assets (deficits) will include capital assets and long-term debt, which were previously recorded in the General Fixed Asset Account Group and the General Long-Term Debt Account Group. In addition, the Agency's statement of activities reflects accrued interest payable on long-term obligations.

In addition to the Agencywide financial statements, the Agency has prepared fund financial statements, which continue to use the modified-accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the Agency's capital projects and debt service funds is similar to that previously presented in the Agency's financial statements, although the format has been classified into major and nonmajor funds by Statement No. 34.

Statement No. 34 also requires as required supplementary information Management's Discussion and Analysis, which includes an analytical overview of the Agency's financial activities.

Statement No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of Statement No. 34. While this statement does not affect amounts reported in the basic financial statements of the Agency, certain note disclosures have been added and/or amended including descriptions of activities of major funds, violations of legal or contractual provisions, future debt service obligations in five-year increments, short-term obligations, interest rates, and interfund balances and transactions.

(In thousands)

The accompanying basic financial statements reflect prior period adjustments in the capital projects funds for the Golden State Project Area, City Centre Project Area, West Olive Project Area, and nonmajor governmental funds. The adjustments were made as a result of the recordation of the Agency's advance from the City of $96,457 previously recorded in the General Long-Term Debt Account Group to the capital projects funds for the Golden State, City Centre, West Olive, and nonmajor government funds.

		Golden State Capital projects	City Centre Capital projects	West Olive Capital projects	Nonmajor Governmental Funds
Fund balance, June 30, 2001, as previously reported	$	31,768	6,551	4,307	1,021
Adjustments		(25,000)	(69,679)	(975)	(803)
Fund balance, June 30, 2001, as restated	$	6,768	(63,128)	3,332	218

(e) ***Cash and Investments***

Cash and Investments of the Agency are pooled with that of the City and are invested by the City Treasurer. Interest is allocated to the Agency based on its proportional share of the pooled cash and investments. The Agency's share of pooled cash and investments is carried at fair value.

(f) ***Notes Receivable***

In the Agencywide financial statements, notes receivable does not include accrued interest receivable. Due to the extended period of time over which notes receivable are to be collected and the contingent nature of certain sources of repayment, the Agency has not accrued interest as of June 30, 2002. Allowances for uncollectible accounts were estimated based on certain assumptions; therefore, actual results could differ from the estimates.

In the fund financial statements, the Agency has recorded a fund balance reserve equal to the outstanding principal balance of the notes receivable.

(Continued)

(g) ***Capital Assets***

Expenditures for capital assets in excess of $5 are capitalized in the Agencywide financial statements. Capital assets are stated at cost and are comprised of land held under operating leases.

(h) ***Land Held for Resale***

The cost of land acquired by the Agency and held for resale is recorded as an asset at the time of purchase. The property is recorded at the lower of cost or estimated net realizable value, as applicable. Estimated net realizable value is determined by agreed-upon sales prices with potential developers. Amounts recorded as land held for resale are offset by a reservation of fund balance in the fund statements, as they are not available spendable resources.

(i) ***Long-Term Liabilities***

In the Agencywide financial statements, long-term debt, and other long-term liabilities are reported as liabilities in the statement of net assets (deficits).

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Agency did not issue any bonds in fiscal year 2001-02.

(j) ***Fund Equity***

In the fund financial statements, reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent amounts identified by management for the future use of financial resources.

(k) ***Property Tax Allocation***

The Agency's primary sources of revenue, other than bond proceeds and loans and advances from the City, comes from property taxes. Property taxes allocated to the Agency are to be used solely to repay debt and are computed in the following manner:

a. The assessed valuation of all property within the project area is determined on the date of adoption of the Redevelopment Plan.

b. Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City of Burbank and other districts. A portion of the incremental increase is allocated to other affected agencies.

The Agency has no power to levy and collect taxes and any legislative property tax deemphasis might reduce the amount of property tax revenues that would otherwise be available to pay principal and interest on the debt. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on debt.

Taxes are levied on July 1 and are payable in two installments due on November 1 and February 1 and became delinquent after December 10 and April 10. The County of Los Angeles, California bills and collects the property tax increment and remits it to the Agency in installments during the year. Agency property tax increment revenues are recognized when levied to the extent that they result in current receivables collectible within 60 days.

(l) ***Agency Employees***

The Agency uses employees of the City to perform the various duties of Agency operations. The Agency reimburses the City by allocations of payroll and employee-related expenditures.

(m) ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Cash and Investments

(a) ***Pooled Cash and Investments***

The Agency pools cash and investments with that of the City, except for funds required to be held by outside fiscal agents under provisions of bond indentures.

Under provision of the Agency's investment policy and in accordance with Section 53601 of the California Government Code, the Agency, through the City's pool or its fiscal agents, may invest in the following types of investments:

- Public fund time deposits
- Certificates of deposit placed with commercial banks, savings and loan companies, and credit unions
- Negotiable certificates of deposit
- Government bonds and notes
- Bankers' acceptances
- Commercial paper
- Money market mutual fund
- Los Angeles County Pooled Investment Fund

- Bonds and notes of federally sponsored agencies
- California Local Agency Investment Fund
- Small Business Administration notes
- Passbook savings account demand deposits.

(b) Classification of Investments by Custodial Credit Risk

Investment securities are classified as to credit risk by three categories as follows.

Investments

Category 1 – Investments which are insured by the Securities Investors Protection Corporation (SIPC), or investments which are held in definitive (i.e., physical) form by the Agency or the Agency's agent in the Agency's name, or investments acquired through the federal reserve book-entry system where the financial institution or broker-dealer associated with the purchases is adequately separate from the custodial safekeeping agent on the same investments and where the investments are recorded on the books and records of the financial institution or broker-dealer in the name of the Agency.

Category 2 – Investments which are uninsured, where the investments are acquired through a financial institution's investment or trading department, but are held in the same financial institution's trust department and are recorded in the Agency's name in the trust department's systems and records.

Category 3 – Investments which are uninsured (1) where the investments are acquired through a financial institution's investment department, but are held for custodial purposes in the same financial institution's safekeeping department or (2) where the investments are acquired through a financial institution's trust department, and held for custodial safekeeping by the same trust department, or (3) where the investments are acquired through, and held for safekeeping by, the same broker-dealer, or (4) where investments are not held in the Agency's name in the systems and records of the financial institution or broker-dealer.

Investments Not Subject to Categorization

Cash and investments pooled with the City of Burbank are not categorized, as GASB Statement 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are also not categorized, because the underlying assets are open-ended mutual funds or guaranteed investment contracts.

(In thousands)

The following is a schedule of the fair value of the Agency's cash and investments pooled with the City and its investments with fiscal agents, summarized by credit risk:

	Category 1	Category 2	Category 3	Not required to be categorized	Fair value
Pooled with City of Burbank	$ 31,780	—	—	7,078	38,858
Corporate Trust Investment Treasury Fund	—	—	—	57	57
Guaranteed Investment Contracts	—	—	—	6,755	6,755
Total cash and investments	$ 31,780	—	—	13,890	45,670

Further information regarding the categorization of cash and investments pooled with the City can be found in the City's Comprehensive Annual Financial Report.

(3) Notes Receivable

To enhance the redevelopment process, the Agency grants below-market interest rate loans primarily for the rehabilitation and development of low and moderate income housing and the development of commercial properties. Since these loans are generated to assist various redevelopment project areas, repayment terms are structured to meet requirements established by the Agency and the specific project area.

As of June 30, 2002, notes receivable consists of the following:

Golden State Capital Projects Fund	$ 6,617
Low and Moderate Income Housing Fund	3,609
South San Fernando Capital Projects Fund	525
City Centre Capital Projects Fund	47
Total before allowance for uncollectible accounts	10,798
Less allowance for uncollectible accounts	(286)
Total notes receivable	$ 10,512

(Continued)

(In thousands)

(4) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2002 is as follows:

	Interfund		Transfers	
	Receivable	Payable	In	Out
Major funds:				
Golden State Capital Projects Fund	$ —	—	5,238	—
City Centre Capital Projects Fund	—	—	2,360	—
West Olive Capital Projects Fund	—	—	2,920	—
Low and Moderate Income Housing Fund	—	—	5,000	1,800
Golden State Debt Service Fund	86	—	—	7,886
City Centre Debt Service Fund	—	—	—	1,744
West Olive Debt Service Fund	—	86	—	3,835
Nonmajor governmental funds	—	—	803	1,056
Total interfund receivables, payables, and transfers	$ 86	86	16,321	16,321

The Golden State Debt Service Fund receivable from West Olive Debt Service Fund of $86 is for funding county administrative charges for West Olive.

The composition of interfund transfers is as follows:

The Golden State Capital Projects transfer in of $5,238 from the Golden State Debt Service Fund was made as these remaining funds were not required for debt service payments.

The City Centre Capital Projects Fund transfer in of $2,360 consists of $559 from the City Centre Debt Service Fund, as these remaining funds were not required for debt service payments, and $1,801 from the Low and Moderate Income Housing Fund for the low/mod portion for a City Centre redevelopment project (Burbank Village Walk).

The West Olive Capital Projects Fund transfer in of $2,920 from the West Olive Debt Service Fund was made as these remaining funds were not required for debt service payments.

The Low and Moderate Income Housing Fund transfer in of $5,000 consists of $2,648 from the Golden State Debt Service, $1,185 from the City Centre Debt Service Fund, $914 from the West Olive Debt Service Fund, and $253 from a nonmajor fund to make current low and moderate income housing deposits.

The nonmajor governmental fund transfer in of $803 from the respective debt service fund was made as these remaining funds were not required for debt service payments.

(In thousands)

(5) Advances Between Redevelopment Projects

The composition of advances between redevelopment projects is as follows:

In August 1983, the Redevelopment Agency City Centre Project and Redevelopment Agency Golden State Project entered into a cooperation agreement whereby the Golden State Project would advance the City Centre Project funds necessary for land acquisition and related expenses. The advances are non-interest bearing and have no repayment schedule. Repayment of the advance will be made as future tax increment become available	$	15,412
From 1978 through 1982, the Redevelopment Agency West Olive Project entered into agreements wherein the Golden State Project loaned funds aggregating $750 to the West Olive Project. These agreements are non-interest bearing. Repayment of the principal will be made as future tax increment become available		750
In October 1991, the Agency passed Resolution No. R-1637 for the advance of $1,338 in Golden State Land Sale proceeds and $1,530 in West Olive Land Sale proceeds to the City Centre Project Area. The advances are non-interest bearing and will be repaid as future tax increment become available		2,868
In 1998, the Agency Golden Gate State Project advanced $329 to the South San Fernando Project Area. The advance is non-interest bearing and shall be repaid as future tax increment becomes available		329
During the year ended June 30, 1998, the Agency's Golden State Capital Projects Fund advanced $282 to the South San Fernando Project Area Capital Projects Fund. The advance is non-interest bearing and there is no repayment schedule. Repayment of the advance will be made as future tax increment funds become available for the South San Fernando Project Area		282
Total advances between redevelopment projects	$	19,641

GAAP requires the City to only record advances for which collectibility can be established in a reasonable time. The following note does not meet this criterion and is therefore not reflected within the basic financial statements, yet is listed here to evidence its existence: The City and Agency entered into a cooperation agreement through which the City agreed to advance funds to the City Centre project necessary for payments on a disposition and development agreement between the Agency and a developer. Interest on the advances accumulates at an annual rate of 6% and there is no repayment schedule. Repayment of the advances and interest will be made as future tax increment funds become available for the City Centre Project Area	$	5,969

(In thousands)

(6) Land Held for Resale

As of June 30, 2002, land held for resale consists of the following:

Golden State Project Area	$	825
City Centre Project Area		5,970
West Olive Project Area		1,830
Low and Moderate Income Housing Fund		3,726
	$	12,351

In the fund statements, the estimated fair value of land held for resale at June 30, 2002 is offset by a reservation of fund balance to indicate that these assets are not available spending resources.

(7) Capital Assets

At June 30, 2002, the balance of the Agency's capital assets totaled $51,948, which represents land owned by the Agency held under an operating lease to Center Trust. Except for the land, the City capitalizes all capital assets developed by the Agency. Upon completion of the redevelopment activities of a capital project, the capital asset is given to the City. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources.

For the year ended June 30, 2002, there were no additions or deletions in the Agency's capital assets.

(8) Long-Term Liabilities

Activity in long-term liabilities for the year ended June 30, 2002 was as follows:

		Balance at July 1, 2001	Additions	Retirements	Balance at June 30, 2002	Due within one year
Advances payable to the City of Burbank	$	76,816	—	—	76,816	—
Tax allocation bonds payable		86,725	—	(4,105)	82,620	1,965
Total long-term liabilities	$	163,541	—	(4,105)	159,436	1,965

(Continued)

(In thousands)

Advances payable are comprised of the following advances from the City:

(a) ***Advances from the City of Burbank***

The City and the Agency entered into agreements by Resolutions R-504, R-787, and R-1177 to loan an aggregate amount of $1,778 to the City Centre Project for the purchase of land. Interest is 7%, payable quarterly. There is no payment schedule for the principal portion of this advance. Repayment will be made as the funds become available in the future	$	1,778
The City and the Agency entered into a cooperation agreement through which the City agreed to advance funds to the City Centre Project necessary for land acquisition and related expenses. This agreement has no interest or repayment schedule. Repayment of the advance will be made as the funds become available		49,621
From 1977 through 1979, the City and the Agency entered into agreements to loan funds aggregating $225 to the West Olive Project. These agreements bear 7% interest per year, payable quarterly, and have no principal repayment schedule		225
Advances secured by a $25,000 Golden State Redevelopment Project Subordinated Taxable Tax Allocation Private Placement Bond Issue of 1993, interest is due semiannually on June 1 and December 1, with a principal maturity date of December 1, 2043 (or a mutually agreeable time). The interest rate varies as it is indexed to the yield on the California Local Agency Investment Fund plus 1%. The principal and interest are secured by an irrevocable pledge of tax increment revenues. The bond was issued for the purpose of aiding the financing and construction of Redevelopment projects		25,000
The City and the Agency entered into an agreement to loan to the Agency an aggregate amount of $192 representing project formation costs of the South San Fernando Project Area. The advance is non-interest bearing and there is no repayment schedule. Repayment of the advance will be made as future tax increment funds become available for the South San Fernando Project Area		192
Total advances from City	$	76,816

(In thousands)

(b) Tax Allocation Bonds Payable

Tax allocation bonds payable are comprised of the following individual issues:

$69,000 Golden State Redevelopment Project Tax Allocation Bonds, 1993, Series A, due in annual installments from $410 to $4,655 through December 1, 2024. Interest at various rates ranging from 2.75% to 6.25% is payable semiannually on June 1 and December 1. These bonds are collateralized by a first pledge of the incremental tax revenues to be received by the project. The bonds were issued for the purpose of providing funds for (i) the acquisition and construction of various projects, (ii) the advance refunding of the Agency's outstanding Golden State Redevelopment Project First Lien Tax Allocation Bonds, 1985, Series A and (iii) the advance refunding of the Agency's outstanding Golden State Redevelopment Project Second Lien Refunding Tax Allocation Bonds, 1985 Series A	$	60,160
$23,945 City Centre Redevelopment Project Tax Allocation Bonds, 1993, Series A, due in annual installments from $85 to $1,665 through December 1, 2023. Interest at various rates ranging from 2.5% to 5.50% is payable semiannually on June 1 and December 1. These bonds are collateralized by a first pledge of the incremental tax revenues to be received by the project. The bonds were issued for the purpose of providing funds for (i) the acquisition and construction of various projects and (ii) the partial advance refunding of the Agency's outstanding City Centre Redevelopment Project Tax Allocation Bonds, 1990, Series A		22,460
Total tax allocation bonds payable	$	82,620

(c) Annual Debt Service Requirements

Debt service requirements to maturity for the bonds payable to be repaid from future tax increment revenues are as follows:

	Golden State Redevelopment Project Tax Allocation Bonds			City Centre Redevelopment Project Tax Allocation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
Year ending June 30:						
2003	$ 1,390	3,558	4,948	575	1,171	1,746
2004	1,470	3,479	4,949	600	1,140	1,740
2005	1,550	3,395	4,945	635	1,107	1,742
2006	1,635	3,305	4,940	665	1,072	1,737
2007	1,730	3,208	4,938	705	1,037	1,742
2008-2012	10,290	14,335	24,625	4,085	4,608	8,693
2013-2017	13,785	10,736	24,521	5,205	3,447	8,652
2018-2022	18,480	5,900	24,380	6,745	1,856	8,601
2023-2025	9,830	676	10,506	3,245	181	3,426
	$ 60,160	48,592	108,752	22,460	15,619	38,079

(In thousands)

(d) Prior Year Bond Defeasance

In prior years, various bonds were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for these defeased bonds are not reflected in the Agency's basic financial statements. At June 30, 2002, the following bonds were considered defeased:

		Remaining outstanding principal balance
1978 Series A Golden State Bonds	$	1,825
1978 Series B Golden State Bonds		7,395

(9) Retirement Plan

The Agency, as part of the City, contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer PERS that acts as a common investment and administrative agent for cities in California. The Agency assumes its share of pension costs based upon rates established by PERS for the City's general employees. No separate pension benefit obligation is calculated for the Agency; accordingly, no obligation is presented herein.

Further information regarding the City's participation in PERS may be found in the City's Comprehensive Annual Financial Report.

(10) Commitments and Contingencies

(a) Media City Centre Mall

In September 1992, the City entered into a Disposition and Development Agreement (DDA) which obligated the Agency to rebate amounts equivalent to specified portions of property and sales taxes generated by the mall, to the developer. These amounts helped offset the original construction costs incurred for construction of the Macy's building, and parking and related common area facilities at the Media City Centre mall of which are owned by the developer. The two notes had an ascribed face value of $33,000 and $18,500 respectively.

The Agency is only obligated to pay debt service based on certain revenue streams (that is, amounts equivalent to the property and sales taxes associated with the mall) described in the agreement. As the Agency's obligation is contingent on future economic factors not measurable as of the date of this report, the Agency has not recorded a liability for such obligation as of June 30, 2002. Any unpaid balance on the aforementioned agreements as of February 1, 2016 will be forgiven.

(In thousands)

(b) Litigation

The Agency management believes, based upon consultation with the City Attorney, that any litigation, in the aggregate, is not expected to result in a material adverse financial impact to the Agency. Agency management believes that should an unfavorable outcome occur, funds would be available to cover such losses.

(11) Self-Insurance

In conjunction with the City, the Agency is self-insured for the first $1,000 of general liability claims and for the first $500 of workers' compensation claims. Information pertaining to the amounts accrued for claims payable including both reported claims and claims incurred but not reported is not available at the Agency level, but may be found in the City's Comprehensive Annual Financial Report.

(12) Conduit Debt

The Agency has issued special bonds listed below that are payable solely out of revenues derived from the various projects financed by the bonds. Neither the faith and credit nor the taxing power of the City or the Agency is pledged to the payment of the principal of, or interest on, any bond, nor is the City or the Agency in any manner obligated to make any appropriation for payment therefore:

$36,000 Multifamily Housing Revenue Bonds, 1985, Issue A		
The bonds were issued to fund construction of an apartment complex consisting of 400 units. A minimum of 20% of these units are to be reserved for occupancy by low or moderate income families for a period of ten years. This project is located in the City Centre redevelopment project area. The bonds are collateralized by various securities	$	33,900
$5,000 Multifamily Housing Revenue Bonds, 1996, Series A		
The bonds were issued to fund construction of an affordable senior citizen residential project, with a minimum of 20% of these units to be reserved for occupancy by low or moderate income tenants. This project is located in the City Centre redevelopment project area. The bonds are collateralized by a letter of credit between the developer and East-West Federal Bank		4,650
Total conduit debt outstanding	$	38,550

(13) Subsequent Event

On October 1, 2002, the Joint Powers Authority (JPA) issued revenue bonds, series 2002, in the amount of $14,000 with annual maturities from December 1, 2002 through December 1, 2026 with interest ranging from 2% to 5%. The purpose of these bonds is to finance redevelopment activities in and for the benefit of the West Olive Project Area.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
Golden State Project Area Capital Projects Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	Appropriated budget	Actual	Variance favorable (unfavorable)
Revenues:			
Use of money or property	$ 783	518	(265)
Charges for services	161	1,224	1,063
Total revenues	944	1,742	798
Expenditures:			
General government – administrative services	2,289	1,915	374
Capital outlay – general capital improvements	1,239	630	609
Total expenditures	3,528	2,545	983
Deficiency of revenues under expenditures	(2,584)	(803)	1,781
Other financing sources:			
Transfers in	3,816	5,238	1,422
Excess of revenues and other financing sources over expenditures	1,232	4,435	3,203
Fund balance, July 1, 2001, as restated	6,768	6,768	—
Fund balance, June 30, 2002	$ 8,000	11,203	3,203

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Deficits – Budget and Actual –
City Centre Project Area Capital Projects Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	Appropriated budget	Actual	Variance favorable (unfavorable)
Revenues – use of money or property	$ 1,670	27	(1,643)
Expenditures:			
General government – administrative services	1,149	646	503
Capital outlay – general capital improvements	2,565	1,617	948
Total expenditures	3,714	2,263	1,451
Deficiency of revenues under expenditures	(2,044)	(2,236)	(192)
Other financing sources:			
Transfers in	1,976	2,360	384
Excess (deficiency) of revenues and other financing sources over expenditures	(68)	124	192
Fund deficit, July 1, 2001, as restated	(63,128)	(63,128)	—
Fund deficit, June 30, 2002	$ (63,196)	(63,004)	192

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
West Olive Project Area Capital Projects Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	Appropriated budget	Actual	Variance favorable (unfavorable)
Revenues – use of money and property	$ 271	139	(132)
Expenditures:			
General government – administrative services	325	212	113
Capital outlay – general capital improvements	700	—	700
Total expenditures	1,025	212	813
Deficiency of revenues under expenditures	(754)	(73)	681
Other financing sources:			
Transfers in	37	2,920	2,883
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(717)	2,847	3,564
Fund balance, July 1, 2001, as restated	3,332	3,332	—
Fund balance, June 30, 2002	$ 2,615	6,179	3,564

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
Low and Moderate Income Housing Capital Projects Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	Appropriated budget	Actual	Variance favorable (unfavorable)
Revenues:			
Use of money or property	$ 522	1,002	480
Charges for services	44	278	234
Total revenues	566	1,280	714
Expenditures:			
General government – administrative services	5,897	2,950	2,947
Capital outlay – general capital improvements	11,257	1,111	10,146
Total expenditures	17,154	4,061	13,093
Deficiency of revenues under expenditures	(16,588)	(2,781)	13,807
Other financing sources (uses):			
Transfers in	4,777	5,000	223
Transfers out	(1,801)	(1,800)	1
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(13,612)	419	14,031
Fund balance, July 1, 2001	22,818	22,818	—
Fund balance, June 30, 2002	$ 9,206	23,237	14,031

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
Golden State Project Area Debt Service Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	Appropriated budget	Actual	Variance favorable (unfavorable)
Revenues:			
Property tax allocation	$ 11,878	12,921	1,043
Use of money or property	275	654	379
Total revenues	12,153	13,575	1,422
Expenditures:			
General government – administrative services	225	187	38
Principal retirement	1,325	1,325	—
Interest and financing charges	5,401	3,997	1,404
Total expenditures	6,951	5,509	1,442
Excess of revenues over expenditures	5,202	8,066	2,864
Other financing uses:			
Transfers out	(6,453)	(7,886)	(1,433)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(1,251)	180	1,431
Fund balance, July 1, 2001	5,103	5,103	—
Fund balance, June 30, 2002	$ 3,852	5,283	1,431

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
City Centre Project Area Debt Service Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	Appropriated budget	Actual	Variance favorable (unfavorable)
Revenues:			
Property tax allocation	$ 5,686	5,784	98
Use of money or property	97	177	80
Other income	475	475	—
Total revenues	6,258	6,436	178
Expenditures:			
General government – administrative services	109	104	5
Principal retirement	545	545	—
Interest and financing charges	4,404	4,007	397
Total expenditures	5,058	4,656	402
Excess of revenues over expenditures	1,200	1,780	580
Other financing uses:			
Transfers out	(1,313)	(1,744)	(431)
Excess (deficiency) of revenues over (under) expendituers and other financing uses	(113)	36	149
Fund balance, July 1, 2001	1,873	1,873	—
Fund balance, June 30, 2002	$ 1,760	1,909	149

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
West Olive Project Area Debt Service Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	Appropriated budget	Actual	Variance favorable (unfavorable)
Revenues:			
Property tax allocation	$ 4,423	4,461	38
Use of money or property	—	192	192
Total revenues	4,423	4,653	230
Expenditures:			
General government – administrative services	27	29	(2)
Principal retirement	2,235	2,235	—
Interest and financing charges	2,440	2,334	106
Total expenditures	4,702	4,598	104
Excess (deficiency) of revenues over (under) expenditures	(279)	55	334
Other financing uses:			
Transfers out	(895)	(3,835)	(2,940)
Deficiency of revenues under expenditures and other financing uses	(1,174)	(3,780)	(2,606)
Fund balance, July 1, 2001	3,918	3,918	—
Fund balance, June 30, 2002	$ 2,744	138	(2,606)

See accompanying independent auditors' report.

KPMG

355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

Report of Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Redevelopment Agency of the City of Burbank
Burbank, California:

We have audited the basic financial statements of the Redevelopment Agency of the City of Burbank (Agency), a component unit of the City of Burbank, California (City), as of and for the year ended June 30, 2002 and have issued our report thereon, dated November 22, 2002. Our report refers to the adoption of Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37 *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments: Omnibus*, No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including those contained in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Local Government Fiscal Affairs, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of the Agency, management, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 22, 2002

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the REDEVELOPMENT AGENCY OF THE CITY OF BURBANK (the "Agency") in connection with the issuance of $5,235,000 aggregate principal amount of Burbank Public Financing Authority Revenue Bonds, 2003 Series B (South San Fernando Redevelopment Project) (the "Bonds"). The Bonds are being issued pursuant to an indenture of trust, dated as of February 1, 2003 (the "Indenture"), by and between the Burbank Public Financing Authority (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Agency covenants and agrees as follows:

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

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, 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*" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Dissemination Agent*" shall mean Wells Fargo Bank, National Association, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

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

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

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

"*Repository*" shall mean each National Repository and each State Repository.

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

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

Section 3. Provision of Annual Reports.

(a) The Agency shall, or upon written direction shall cause the Dissemination Agent to, not later than seven months (January 31) after the end of the Agency's fiscal year (June 30), commencing with the report for the 2002-03 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). 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 Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change to the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder. If the 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).

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and each State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

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

(ii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. <u>Content of Annual Reports</u>. The Agency's Annual Report shall contain or incorporate by reference the following:

(a) 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 Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Agency for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds:

(i) Information concerning assessed valuations of properties within the Agency's South San Fernando Redevelopment Project Area (the "South San Fernando Project Area");
(ii) Tax Revenues allocated to the Agency from the South San Fernando Project Area;
(iii) Ten largest property taxpayers (by assessed value and by revenue) in the South San Fernando Project Area; and
(iv) Historical debt service coverage of the Agency's South San Fernando Project Bonds provided by the Tax Revenues of the South San Fernando Project Area.

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 Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the 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.

Section 5. Reporting of Significant Events.

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

(i) Principal and interest payment delinquencies.
(ii) Non-payment related defaults.
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
(v) Substitution of credit or liquidity providers, or their failure to perform.
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
(vii) Modifications to rights of security holders.
(viii) Contingent or unscheduled bond calls.
(ix) Defeasances.
(x) Release, substitution, or sale of property securing repayment of the securities.
(xi) Rating changes.

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

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The 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 such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association. Any Dissemination Agent may resign by providing thirty days' written notice to the Agency and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the 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) or 4, it may be made only 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 financial information 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information 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 Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the 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 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 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 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee, 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 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 Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent and the Trustee, their 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 or the Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them by the Agency and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bond holders or any other party. The obligations of the Agency under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

By ______________________________
Executive Director

ACKNOWLEDGED:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Dissemination Agent

By ______________________________
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Burbank Public Financing Authority

Name of Issue: $5,235,000 Burbank Public Financing Authority Revenue Bonds, 2003 Series B (South San Fernando Redevelopment Project)

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Redevelopment Agency of the City of Burbank (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.13 of that certain indenture of trust, dated as of February 1, 2003, by and between the Agency and Wells Fargo Bank, National Association, as trustee. The Agency anticipates that the Annual Report will be filed by ________________.

Dated: __________________

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

By ____
Title ____

cc: Trustee

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F has been provided by The Depository Trust Company ("DTC"), New York, NY, for use in securities offering documents, and neither the Authority nor the Agency take responsibility for the accuracy or completeness thereof. The Authority and the Agency cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants mill act in the manner described in this Official Statement.

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

2. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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