SERIES A BONDS RATINGS: Moody's: "Aaa"
Standard & Poor's: "AAA"
SERIES B BONDS: UNRATED
(See "Ratings" herein)

NEW ISSUE — FULL BOOK ENTRY

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for the purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE (UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT)

$17,025,000
TAX ALLOCATION BONDS
1999 SERIES A

$6,055,000
SUBORDINATE
TAX ALLOCATION BONDS
1999 SERIES B

Dated: Delivery Date **Due: As shown below**

The Series A Bonds will be issued by the Agency pursuant to an Indenture dated as of April 1, 1999 by and between the Agency and U.S. Bank Trust National Association, as trustee for the Series A Bonds. The proceeds of the Series A Bonds will be used to defease and advance refund certain outstanding obligations of the Agency to finance redevelopment and housing activities within the Project Area, to fund a Reserve Account and to pay certain costs of issuance of the Series A Bonds. The Bonds are being sold to the Riverside Public Financing Authority, which will concurrently sell the Bonds to the Underwriter.

The Series B Bonds (together with the Series A Bonds, the "Bonds"), will be issued pursuant to an Indenture dated as of April 1, 1999, by and between the Agency and the Trustee. The proceeds of the Series B Bonds will be used to finance redevelopment and housing activities within the Project Area, to fund a Reserve Account and to pay certain costs of issuance of the Series B Bonds. The Agency's obligation to make payments of principal of and interest on the Series B Bonds is subordinate to the Series A Bonds.

The Series A Bonds are special obligations of the Agency payable from and secured by Tax Revenues, as defined in the Series A Indenture and from interest earnings on the funds and accounts established pursuant to the Series A Indenture and on deposit with the Trustee. The Series B Bonds are special obligations of the Agency payable from and secured by Surplus Tax Revenues, as defined in the Series B Indenture, consisting of Tax Revenues permitted to be treated as surplus pursuant to the Series A Indenture, and the amounts held under the Series B Indenture other than the Rebate Fund. See "SECURITY FOR THE BONDS."

Interest on the Series A Bonds is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 1999. Interest on the Series B Bonds is payable semi-annually on March 1 and September 1 of each year, commencing September 1, 1999. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Under the book-entry system maintained by DTC, the Bonds will be available to actual purchasers of the Bonds (the "Beneficial Owners") only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. Ownership interests in the Bonds will be in denominations of $5,000 and integral multiples thereof. Principal, premium, if any, and interest due with respect to the Bonds is payable to DTC the Trustee and, so long as DTC or its nominee remains the registered bondholder, disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants.

The Bonds are subject to optional and mandatory redemption as described herein. See "THE BONDS" herein.

Payment of the principal of and interest on the Series A Bonds when due (but not including redemption, except mandatory sinking fund redemption) will be insured by a municipal bond insurance policy issued simultaneously with the Bonds by

Ambac

Maturity Schedule (See inside cover)

THE BONDS ARE NOT A DEBT OF THE CITY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY OF RIVERSIDE, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON. IN NO EVENT SHALL ANY BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein. For discussion of some of the risks associated with the purchase of the Bonds, see "RISK FACTORS" herein.

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Best Best & Krieger LLP, Riverside, California, and for the Agency by its general counsel. It is anticipated that the Bonds in book-entry form will be available for delivery in definitive form to DTC in New York, New York on or about April 14, 1999.

Stone & Youngberg LLC

Dated: March 25, 1999

MATURITY SCHEDULE

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT

$17,025,000
TAX ALLOCATION BONDS
1999 SERIES A

Year (August 1)	Amount	Interest Rate	Yield	Year (August 1)	Amount	Interest Rate	Yield
2000	40,000	3.400%	3.100%	2008	440,000	4.100%	4.150%
2001	340,000	3.400%	3.250%	2009	455,000	4.200%	4.250%
2002	355,000	3.400%	3.400%	2010	480,000	4.300%	4.400%
2003	365,000	3.600%	3.600%	2011	495,000	4.400%	4.500%
2004	375,000	3.700%	3.750%	2012	520,000	4.500%	4.600%
2005	395,000	3.800%	3.900%	2013	545,000	4.600%	4.700%
2006	405,000	3.900%	3.950%	2014	570,000	4.700%	4.750%
2007	425,000	4.000%	4.050%				

$4,810,000 4.75% Series A Term Bonds Due August 1, 2021 Yield 5.03%
$6,010,000 5.00% Series A Term Bonds Due August 1, 2027 Yield 5.09%

$6,055,000
SUBORDINATE TAX ALLOCATION BONDS
1999 SERIES B

Year (September 1)	Amount	Interest Rate	Yield	Year (September 1)	Amount	Interest Rate	Yield
2000	35,000	4.500%	3.900%	2007	140,000	5.100%	5.100%
2001	100,000	4.500%	4.250%	2008	150,000	5.125%	5.200%
2002	110,000	4.500%	4.500%	2009	155,000	5.250%	5.300%
2003	120,000	4.700%	4.700%	2010	170,000	5.375%	5.400%
2004	115,000	4.800%	4.800%	2011	175,000	5.400%	5.450%
2005	130,000	4.900%	4.900%	2012	180,000	5.500%	5.500%
2006	130,000	5.000%	5.000%	2013	190,000	5.500%	5.550%

$1,135,000 5.50% Series B Term Bonds Due September 1, 2018 Yield 5.60%
$3,020,000 5.625% Series B Term Bonds Due September 1, 2027 Yield 5.70%

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

Terri Thompson, Chairman
Maureen Kane, Vice Chairman
Joy Defenbaugh, Member
Chuck Beatty, Member
Ameal Moore, Member
Alex Clifford, Member
Laura Pearson, Member

CITY COUNCIL OF THE CITY OF RIVERSIDE AND RIVERSIDE PUBLIC FINANCING AUTHORITY MEMBERS

Ronald O. Loveridge, Mayor
Alex Clifford, Mayor Pro Tem
Terri Thompson, Councilmember
Chuck Beatty, Councilmember
Ameal Moore, Councilmember
Joy Defenbaugh, Councilmember
Maureen Kane, Councilmember
Laura Pearson, Councilmember

AGENCY AND CITY STAFF

John Holmes, City Manager
Robert C. Wales, Assistant City Manager-
Development and Executive Director of the Agency
Jerry Rogers, City Treasurer and Finance Director
Chet Yoshizaki, Development Director
Donna L. Kunz, Redevelopment Finance & Administrative Manager
William Hansen, Debt Administrator
Stan Yamamoto, City Attorney/General Counsel
Colleen J. Nicol, City Clerk/Agency Secretary

SPECIAL SERVICES

Bond Counsel
Richards Watson & Gershon
A Professional Corporation

Fiscal Consultant
Rosenow Spevacek Group, Inc.

Financial Advisor
Evensen Dodge, Inc.

Trustee
U.S. Bank Trust National Association

NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMMISSION, THE CITY OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BY ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE BONDS.

Statements contained in this Official Statement which involve time 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 representations of fact. The information set forth herein has been furnished by the Agency; the City, or other sources which are believe to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Agency, the City or the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the City since the date hereof.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT 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. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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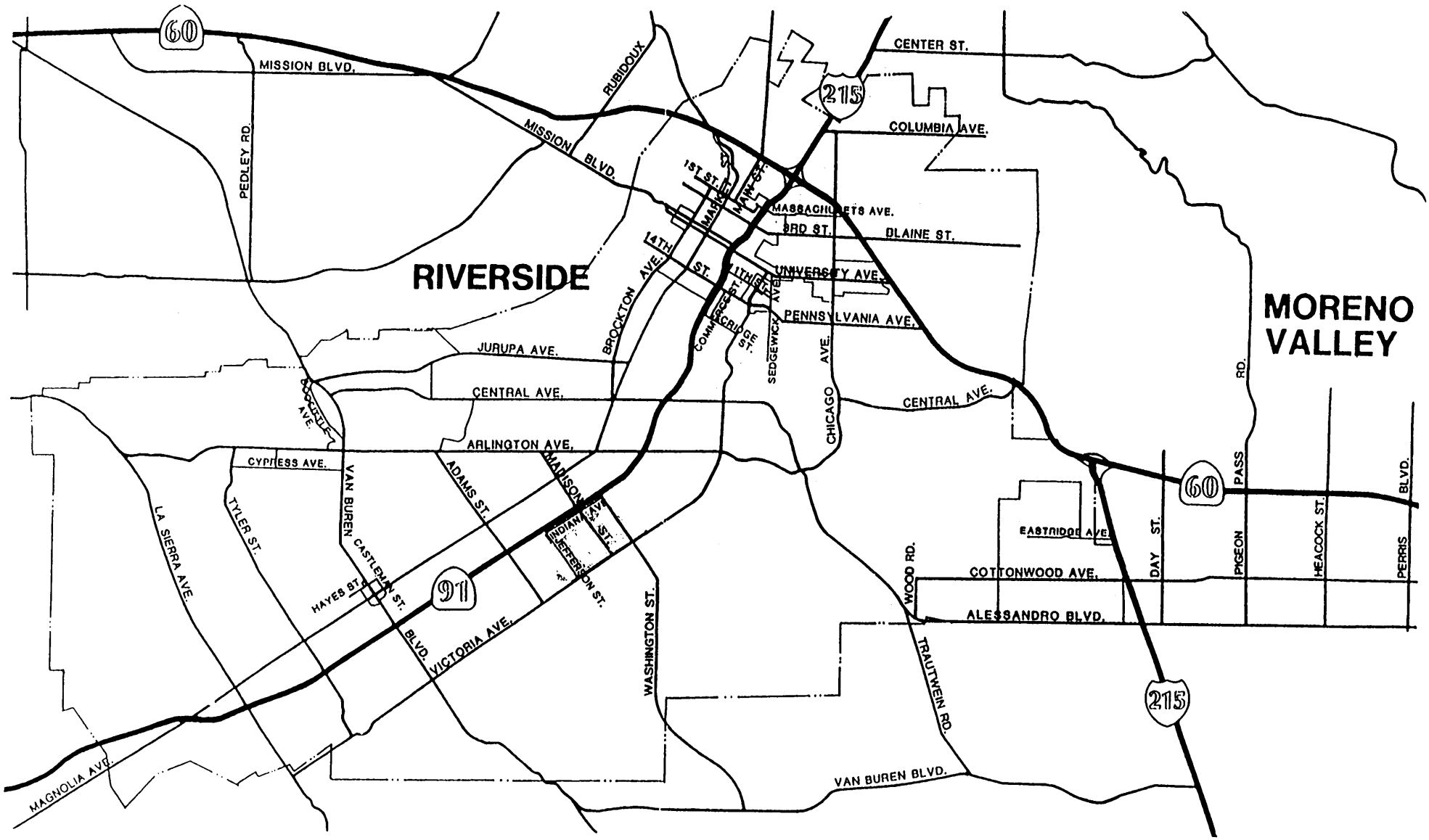

RIVERSIDE
MORENO VALLEY
60
215
91
MISSION BLVD.
PEDLEY RD.
RUBIDOUX
CENTER ST.
COLUMBIA AVE.
1ST ST.
MARKET ST.
MAIN ST.
MASSACHUSETTS AVE.
3RD ST.
BLAINE ST.
14TH ST.
BROCKTON AVE.
UNIVERSITY AVE.
COMMERCE ST.
CRUSE ST.
SEDGEWICK AVE.
PENNSYLVANIA AVE.
JURUPA AVE.
CHICAGO AVE.
CENTRAL AVE.
MAGNOLIA AVE.
ARLINGTON AVE.
CYPRESS AVE.
VAN BUREN BLVD.
ADAMS ST.
MADISON ST.
INDIANA AVE.
JEFFERSON ST.
LA SIERRA AVE.
TYLER ST.
HAYES ST.
CASTLEMAN ST.
VICTORIA AVE.
WASHINGTON ST.
WOOD RD.
TRAUTWEIN RD.
EASTRIDGE AVE.
COTTONWOOD AVE.
ALESSANDRO BLVD.
DAY ST.
PIGEON PASS RD.
HEACOCK ST.
PERRIS BLVD.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT

$17,025,000
TAX ALLOCATION BONDS
1999 SERIES A

$6,055,000
SUBORDINATE TAX ALLOCATION BONDS
1999 SERIES B

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Redevelopment Agency of the City of Riverside (the "Agency") of its $17,025,000 aggregate principal amount of University Corridor/Sycamore Canyon Merged Redevelopment Project Tax Allocation Bonds, 1999 Series A (the "Series A Bonds"), and its $6,055,000 aggregate principal amount of University Corridor/Sycamore Canyon Merged Redevelopment Project Subordinate Tax Allocation Bonds, 1999 Series B (the "Series B Bonds", and together with the Series A Bonds, the "Bonds"). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement.

The Bonds

The Bonds are being issued by the Agency 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"). The Series A Bonds are being issued pursuant to an Indenture (the "Series A " Indenture"), dated as of April 1, 1999, by and between the Agency and U.S. Bank Trust National Association, as trustee (the "Series A Trustee"). The Series B Bonds are being issued pursuant to and Indenture (the "Series B Indenture" and together with the Series A Indenture, the "Indentures"), dated as of April 1, 1999, by and between the Agency and U.S. Bank Trust National Association, as trustee (the "Series B Trustee" and together with the Series A Trustee, the "Trustee"). As described below, the proceeds of the Bonds will be used to refinance certain outstanding obligations and finance redevelopment and housing activities within the Agency's University Corridor/Sycamore Canyon Merged Redevelopment Project (the "Project Area" or "Redevelopment Project").

The Bonds are being issued for sale to the Riverside Public Financing Authority (the "Authority") pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "Act"). The Bonds purchased by the Authority will be resold concurrently to the Underwriter. The proceeds of the Series A Bonds will be used (i) to refund the $4,740,000 outstanding principal amount of a 1988 Loan to the Central Industrial Project Area, the $2,900,000 outstanding amount of a 1991 Loan to the Central Industrial Project Area, and the $1,115,000 outstanding amount of a 1991 Loan to the Sycamore Canyon Redevelopment Project Area, (ii) to finance redevelopment activities within the Project Area, (iii) to finance low and moderate income housing, (iv) to fund a reserve account for the Series A Bonds, and (v) to pay costs of issuance relating to the Bonds. The proceeds of the Series B Bonds will be used to (i) finance redevelopment activities within the Project Area, (ii) to finance low and moderate income housing, (iii) to fund a reserve account for the Series B Bonds, and (iv) to pay costs of issuance relating to the Series B Bonds.

The City, the Agency and the Authority

The City of Riverside (the "City") was first incorporated in 1883 and operates under a charter adopted in 1953, which provides for a council-manager form of government. The City is governed by a seven-member City Council elected by districts with four-year staggered terms. The Mayor is elected at large for a four-year term. Additionally, the positions of City Clerk, City Manager and City Attorney are filled by appointments of the City Council. For more information regarding the City, see Appendix A, "General Information on the City and Area."

The Agency was created in 1967 pursuant to the Redevelopment Law. The seven members of the City Council also serve as members of the Agency and exercise all rights, power and duties and privileges of the Agency. The City adopted a redevelopment plan establishing the Sycamore Canyon Redevelopment Project on December 20, 1983 and amended the Sycamore Canyon Redevelopment Plan on December 20, 1994 to comply with the requirements of AB1290. The original Central Industrial Redevelopment Project was created on October 25, 1977 and was amended November 27, 1984 for the purpose of adding additional territory, and on December 20, 1994 for the purposes of complying with AB1290. The Central Industrial Redevelopment Project was redesignated as the University Corridor Redevelopment Project upon the adoption of the amendment. The merger of the Sycamore Canyon Redevelopment Project and the University Corridor Redevelopment Project was completed on July 8, 1997 with the adoption of Ordinance No. 5239. The resulting Redevelopment Project consists of approximately 2,144 acres or approximately 4.3% of the City. Approximately 18.4% of the land in the Project Area is designated for commercial or industrial uses with an assessed value of $352,085,051, while approximately 3.4% of the land in the Redevelopment Project is designated for residential uses with an assessed value off $13,488,253. Approximately 34.7% of the Project Area is vacant and has an assessed value of $5,059,176. Approximately 43.5% of the Project Area is designated for public use including the Sycamore Canyon Wilderness Park. Assessed valuation of taxable property in the Redevelopment Project in Fiscal Year 1998/99 is approximately $271,537,662 greater than the adjusted assessed valuation in the "base year", which is $107,204,039. Tax increment revenues to be received by the Agency in Fiscal Year 1998/99 are estimated to be $1,553,759. See "UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT" herein.

The Authority was formed pursuant to a Joint Exercise of Powers Agreement dated December 15, 1987, by and between the City and the Agency. See "THE AUTHORITY AND THE AGENCY - Riverside Public Financing Authority" herein.

Tax Allocation Financing

Pursuant to the Redevelopment Law, a portion of all property tax revenues, including certain reimbursements by the State of California (the "State"), collected by or for each taxing agency on any increase in the taxable value of certain property within the Project Area over that shown on the assessment roll for the base year of the Project Area may be pledged to the repayment of indebtedness incurred by the Agency in connection with the Project Area redevelopment. Under the Series A Indenture, the Agency has pledged a portion of such tax increment revenues to the payment of the principal or premium, if any, and interest on the Series A Bonds. Additionally, under the Series B Indenture the Agency has pledged a portion of such tax increment revenues to the payment of the principal of premium, if any, and interest on the Series B Bonds on a basis subordinate to the Series A Bonds. See "SECURITY FOR THE BONDS" herein. Under various pass-through agreements, the Agency is obligated to pay a portion of the tax increment revenues to other taxing jurisdictions. See "UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT - Tax-Sharing Agreements" herein.

There follow in this Official Statement brief descriptions of the Bonds, the security for the Bonds, the Agency, the Project Area and certain other information relevant to the issuance of the Bonds. All references herein to the Indentures are qualified in their entirety by reference to the definitive form thereof and all references to the Bonds are further qualified by references to the information with respect thereto contained in the Indentures. Selected information regarding the City is included in Appendix A. A summary of the Indentures is contained in Appendix B. The Agency's audited financial statements for the Fiscal Year ended June 30, 1998, are included in Appendix C. The report of Rosenow Spevacek Group, Inc. regarding Tax Revenues is included in Appendix D. The proposed form of legal opinion for the Bonds is set forth in Appendix E. A specimen municipal bond insurance policy is shown in Appendix F. All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indentures, unless otherwise stated in this Official Statement. The information set forth herein and in the Appendices hereto has been furnished by the Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter.

Continuing Disclosure

The Agency will covenant to provide annually certain financial information and operating data relating to the Redevelopment Project by not later than April 1 of each year commencing April 1, 2000 and to provide the audited Financial Statements of the Agency for the fiscal year ending June 30, 1999 and for each subsequent fiscal year when they are available (together, the "Annual Report"), and to provide notices of the occurrence of certain other enumerate events. The Annual Report will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission (the "Repositories") and a State repository, if any. The notices of material events will be timely filed by the Agency with the Municipal Securities Rulemaking Board, the Repositories and a State repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the continuing disclosure obligation are summarized in "Appendix G - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

THE FINANCING PLAN

The Agency is selling the Bonds in order to refinance several outstanding loan obligations of the Agency relating to the Redevelopment Project, to provide new money for redevelopment activities in the Redevelopment Project, establish a debt service reserve fund and to pay the costs of issuing the Bonds.

Refunding of Prior Bonds

A portion of the proceeds of the Series A Bonds will be used, together with certain existing funds related to the Prior Bonds (as defined below) to provide for the refunding and legal defeasance of three obligations: the $4,740,000 outstanding principal amount of a 1988 Loan to the Central Industrial Redevelopment Project (the "1988 Central Industrial Loan"), the $2,900,000 outstanding amount of a 1991 Loan to the Central Industrial Project Area (the "1991 Central Industrial Loan"); and the $1,115,000 outstanding amount of a 1991 Loan to the Sycamore Canyon Redevelopment Project Area (the "1991 Sycamore Canyon Loan"). The 1988 Central Industrial Loan, the 1991 Central Industrial Loan and the 1991 Sycamore Canyon Loan are collectively referred to herein as the "Prior Obligations." The 1988 Central Industrial Loan was funded from a portion of the proceeds of the 1988 Revenue Bonds, Series A, of the Riverside Public Financing Authority (the "1988 Bonds"). The 1988 Central Industrial Loan represents the remaining outstanding portion of the 1988 Bonds. The 1991 Central Industrial Loan and the 1991 Sycamore Canyon Loan were funded from a portion of the proceeds of the 1991 Revenue Bonds of the Riverside Public Financing Authority (the "1991 Bonds"). After the completion of the refunding of the Prior Obligations, $660,000 principal amount of the 1991 Bonds will remain outstanding. The unrefunded portion of the 1991 Bonds is secured by various loan obligations with the Agency's Arlington and Eastside Redevelopment Projects.

Concurrently with the issuance of the Series A Bonds, the Agency will enter into an Escrow Deposit and Trust Agreement with U.S. Bank Trust National Association, as trustee for the Prior Bonds (the "Escrow Agreement"). Amounts deposited under the Escrow Agreement will be invested solely in direct, non-callable, general obligations of the United States Department of the Treasury, the principal of and interest on which, together with any available cash to be held uninvested, will be verified by Grant Thorton LLP (the "Verification Agent") to be sufficient to pay the principal of and interest and premium on the Prior Bonds to and including the date of redemption thereof. As a result of the deposit and application of funds as provided in the Escrow Agreement, the lien of the Prior Bonds on the Tax Revenues, assuming the accuracy of the Verification Agent's computations, will be defeased and all obligations thereunder discharged.

Additional Funding for the Redevelopment Project Area

After paying costs of issuance and depositing funds under the Escrow Agreement as described above, the remaining net proceeds of the Series A Bonds and the proceeds of the Series B Bonds will be deposited into the funds or accounts established under the Indentures. $6,591,000 will be deposited to the Redevelopment Fund. In addition, the Agency will deposit $3,900,000 into the Housing Fund which will be held by the Trustee for the financing of certain low and moderate income housing projects. The Agency's planned redevelopment projects and housing projects are described under the caption "THE MERGED PROJECT AREA - Development Activities in the Redevelopment Project." The pledge of Tax Revenues securing the portion of the Bonds allocable to low and moderate income housing uses is subordinate to a 1991 loan obligation (the "1991 Housing Loan") of the Sycamore Canyon Redevelopment Project. The 1991 Housing Loan was refunded in 1994 by the Agency with a portion of the proceeds of the 1994 Pooled Tax Allocation Bonds issued by the Association of Bay Area Governments.

Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Bonds are as follows:

TABLE 1
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
TAX ALLOCATION BONDS
(UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT)
Sources and Uses of Funds

Sources	Series A Bonds	Series B Bonds
Par Value of Bonds	$17,025,000.00	$6,055,000.00
Less: Underwriter's Discount	(149,649.75)	(72,478.35)
Less: Original Issue Discount	(291,942.60)	(48,029.60)
Plus: Prior Bond Funds	924,919.71	0.00
	$17,508,327.36	$5,934,492.05
Uses		
Refunding Escrow	$9,260,000.86	$ 0.00
Redevelopment Fund	3,274,377.64	3,322,598.94
Housing Fund	2,182,818.88	1,717,944.00
Interest Account[(1)]	1,139,784.11	402,822.35
Costs of Issuance[(2)]	394,595.87	48,783.00
Reserve Fund[(3)]	1,256,750.00	442,343.76
	$17,508,327.36	$ 5,934,492.05

(1) Represents capitalized interest through February 1, 2001 for the Series A Bonds and March 1, 2001 for the Series B Bonds on the portion of the Bonds payable from the redevelopment portion of the Tax Revenues.

(2) Includes the various costs of issuing the Bonds such as Bond Counsel fees, Fiscal Consultant and Financial Advisor fees, printing and the Bond Insurance premium.

(3) Represents maximum annual debt service on Series A Bonds and Series B Bonds, respectively.

THE SERIES A BONDS

Authority for Issuance

The Series A Bonds have been authorized by, and are being issued pursuant to the Series A Indenture and in accordance with the Redevelopment Law and other applicable laws and the Constitution of the State.

Description of the Series A Bonds

The Series A Bonds will be dated the date, will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the cover page hereof. The Trustee will maintain at its corporate trust office books for the registration, exchange and transfer of the Series A Bonds.

Interest on the Series A Bonds is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 1999 (individually, a "Series A Interest Payment Date"). Interest on the Series A Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months. The Series A Bonds will be issued and delivered in fully registered form, in the denomination of $5,000 and integral multiples thereof for each maturity.

The Series A Bonds will be payable by check of the Trustee mailed on the Series A Interest Payment Date to the registered owners of the Series A Bonds as of the close of business on the 15th day of the month preceding each Series A Interest Payment Date or, upon the request of a registered owner of at least $1,000,000 in aggregate principal amount of the Series A Bonds, by wire transfer to an account in the United States designated in writing by such owner not later than the record date. Principal and premium, if any, with respect to the Series A Bonds will be payable upon the surrender of the Series A Bonds at the corporate trust office of the Trustee, in Los Angeles, California. Each Bond will bear interest from the Series A Interest Payment Date next preceding the date of authentication thereof, unless (i) the Bond is authenticated prior to an Series A Interest Payment Date and after the close of business on the 15th day of the month preceding such Series A Interest Payment Date, in which event it shall bear interest from such Series A Interest Payment Date, or (ii) the Bond is authenticated on or prior to July 15, 1999, in which event it shall bear interest from its date; provided, however, that if, at the time of authentication of any Bond, interest is in default, such Bond shall bear interest from the Series A Interest Payment Date to which interest has previously been paid or made available for payment.

The Series A Bonds may be transferred or exchanged upon presentation and surrender 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 (i) of any Bond during the period established by the Trustee for selection of Series A Bonds for redemption or (ii) of any Series A Bonds selected for redemption pursuant to the Indentures. The Agency and the Trustee shall, under certain circumstances described in the Series A Indenture, replace Series A Bonds which have been mutilated, lost, destroyed or stolen. The Agency may require payment of a reasonable fee and of the expenses which may be incurred by the Agency and the Trustee for each new Bond issued to replace a Bond which has been mutilated, lost, destroyed or stolen.

Redemption

Optional Redemption. Series A Bonds due on and after August 1, 2009 are subject to redemption prior to their respective stated maturities, at the option of the Agency, as a whole or in part by such maturities as the Agency shall designate, on any date on or after August 1, 2008, at the respective redemption prices set forth below, calculated as a percentage of the principal amount thereof to be redeemed, together with accrued interest to the redemption date:

Redemption Dates	Redemption Prices
August 1, 2008 through July 31, 2009	102%
August 1, 2009 through July 31, 2010	101
August 1, 2010 and thereafter	100

Mandatory Sinking Fund Redemption. Bonds maturing August 1, 2021 (the "Series A 2021 Term Bonds") are subject to mandatory sinking fund redemption, in part by lot, on August 1, 2015, and on each August 1 thereafter at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Series A Bonds Maturing August 1, 2015

Year (August 1)	Principal Amount
2015	$ 595,000
2016	620,000
2017	650,000
2018	685,000
2019	720,000
2020	750,000
2021 (maturity)	790,000

Series A Bonds maturing August 1, 2027 (the "Series A 2027 Term Bonds") are subject to mandatory sinking fund redemption, in part by lot, on August 1, 2022, and on each August 1 thereafter at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Series A Bonds Maturing August 1, 2027

Year (August 1)	Principal Amount	Year (August 1)	Principal Amount
2022	$820,000	2025	$1,085,000
2023	860,000	2026	1,140,000
2024	910,000	2027 (maturity)	1,195,000

In the event that all or a portion of the principal of the Series A Bonds are redeemed pursuant to the provisions for optional redemption (see "THE SERIES A BONDS - Redemption - Optional Redemption" above), the total amount of all future sinking fund payments on the Series A Bonds shall be reduced by the aggregate principal amount of the Series A Bonds so redeemed, to be allocated by the Agency in a manner which, to the extent practicable, results in approximately equal annual debt service on Series A Bonds outstanding. In lieu of depositing cash with the Trustee as a mandatory sinking fund payment, the Series A Indenture permits the Agency to tender to the Trustee for cancellation any amount of Series A Bonds purchased by the Agency at a public or private sale, as the Agency may determine. The par amount of any Series A Bonds so purchased by the Agency and tendered to the Trustee for cancellation at least 30 days prior to any redemption date shall be credited toward and shall reduce the next mandatory sinking fund payments required to be made in the order in which they are required to be made pursuant to the Series A Indenture.

Selection of Series A Bonds

For the purpose of selecting Series A Bonds for redemption, the Trustee shall select Series A Bonds to be redeemed from all Series A Bonds subject to redemption and not previously called for redemption, by lot, in a manner which the Agency shall deem appropriate. That portion of Series A Bonds so redeemed shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

Notice of redemption shall be given by the Trustee for and on behalf of the Agency, not less than 30 days prior to the redemption date by first class mail, to each of the owners of Series A Bonds designated for redemption at their respective addresses appearing on the registration books of the Trustee, the information services (described in the Series A Indenture), and the securities depositories (described in the Series A Indenture). The actual receipt of such notice of redemption shall not be a condition precedent to redemption and failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of such Series A Bonds or the cessation of the accrual of interest thereon on the redemption date. Such notice shall state the redemption date and the redemption price, state the place or places of redemption, state the CUSIP number of the Series A Bonds to be redeemed, state the individual number of each Series A Bond to be redeemed or state that all Series A Bonds between two stated numbers (both inclusive) or all of the Series A Bonds outstanding are to be redeemed, state that on the redemption date there will become due and payable on each Bond the redemption price thereof and that from and after such date interest thereon shall cease to accrue, and require that such Series A Bonds be then surrendered, with a written instrument of transfer duly executed by the owner thereof or by his attorney duly authorized in writing if payment is to be made to a person other than the owner.

Book-Entry Only System

DTC will act as securities depository for the Series A Bonds. The Series A Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Series A Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See "Appendix H - BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange of Series A Bonds

Any Replacement Bond may be transferred by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Replacement Series A Bond for cancellation, accompanied by delivery of an executed instrument of transfer in a form approved by the Trustee. Replacement Series A Bonds may be exchanged at the principal corporate trust office of the Trustee in Los Angeles, California, for a like aggregate principal amount of Replacement Series A Bonds of authorized denominations and of the same maturity. The Trustee shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No transfers or exchanges of Replacement Series A Bonds shall be required to be made between the date which is 15 days before selection of Replacement Series A Bonds for redemption and the date of mailing notice of redemption or with respect to a Replacement Series A Bond after such Replacement Series A Bond has been selected for redemption.

THE SERIES B BONDS

Authority for Issuance

The Series B Bonds have been authorized by and are being issued pursuant to the Series B Indenture and in accordance with the Redevelopment Law and other applicable laws and the Constitution of the State.

Description of the Series B Bonds

The Series B Bonds will be dated the date, will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the cover page hereof. The Trustee will maintain at its corporate trust office books for the registration, exchange and transfer of the Series B Bonds.

Interest on the Series B Bonds is payable semiannually on March 1 and September 1 of each year, commencing on September 1, 1999 (individually, a "Series B Interest Payment Date"). Interest on the Series B Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months. The Series B Bonds will be issued and delivered in fully registered form, in the denomination of $5,000 and integral multiples thereof for each maturity.

The Series B Bonds will be payable by check of the Trustee mailed on the Series B Interest Payment Date to the registered owners of the Series B Bonds as of the close of business on the 15th day of the month preceding each Series B Interest Payment Date or, upon the request of a registered owner of at least $1,000,000 in aggregate principal amount of the Series B Bonds, by wire transfer to an account in the United States designated in writing by such owner not later than the record date. Principal and premium, if any, with respect to the Series B Bonds will be payable upon the surrender of the Series B Bonds at the corporate trust office of the Trustee, in Los Angeles, California. Each Bond will bear interest from the Series B Interest Payment Date next preceding the date of authentication thereof, unless (i) the Bond is authenticated prior to an Series B Interest Payment Date and after the close of business on the 15th day of the month preceding such Series B Interest Payment Date, in which event it shall bear interest from such Series B Interest Payment Date, or (ii) the Bond is authenticated on or prior to August 15, 1999, in which event it shall bear interest from its date; provided, however, that if, at the time of authentication of any Bond, interest is in default, such Bond shall bear interest from the Series B Interest Payment Date to which interest has previously been paid or made available for payment.

The Series B Bonds may be transferred or exchanged upon presentation and surrender 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 (i) of any Bond during the period established by the Trustee for selection of Series B Bonds for redemption or (ii) of any Series B Bonds selected for redemption pursuant to the Series B Indenture. The Agency and the Trustee shall, under certain circumstances described in the Series B Indenture, replace Series B Bonds which have been mutilated, lost, destroyed or stolen. The Agency may require payment of a reasonable fee and of the expenses which may be incurred by the Agency and the Trustee for each new Series B Bond issued to replace a Series B Bond which has been mutilated, lost, destroyed or stolen.

Redemption

Optional Redemption. Series B Bonds due on and after September 1, 2009 are subject to redemption prior to their respective stated maturities, at the option of the Agency, as a whole or in part, pro rata by such maturities as the Agency shall determine on any date on or after September 1, 2008, at the respective redemption prices set forth below, calculated as a percentage of the principal amount thereof to be redeemed, together with accrued interest to the redemption date:

Redemption Dates	Redemption Prices
September 1, 2008 through August 31, 2009	102%
September 1, 2009 through August 31, 2010	101
September 1, 2010 and thereafter	100

Mandatory Sinking Fund Redemption. Bonds maturing September 1, 2018 (the "Series B 2018 Term Bonds") are subject to mandatory sinking fund redemption, in part by lot, on September 1, 2014*, and on each September 1 thereafter at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Series B Bonds Maturing September 1, 2018

Year (September 1)	Principal Amount
2014	$ 205,000
2015	215,000
2016	230,000
2017	235,000
2018 (maturity)	250,000

Series B Bonds maturing September 1, 2027 (the "Series B 2027 Term Bonds") are subject to mandatory sinking fund redemption, in part by lot, on September 1, 2019, and on each September 1 thereafter at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

Series B Bonds Maturing September 1, 2027

Year (September 1)	Principal Amount	Year (September 1)	Principal Amount
2019	$270,000	2024	$350,000
2020	275,000	2025	370,000
2021	300,000	2026	395,000
2022	320,000	2027 (maturity)	405,000
2023	335,000		

In the event that all or a portion of the principal of the Series B Bonds are redeemed pursuant to the provisions for optional redemption (see "THE SERIES B BONDS - Redemption - Optional Redemption" above), the total amount of all future sinking fund payments on the Series B Bonds shall be reduced by the aggregate principal amount of the Series B Bonds so redeemed, to be allocated by the Agency in a manner which, to the extent practicable, results in approximately equal annual debt service on Series B Bonds outstanding. In lieu of depositing cash with the Trustee as a mandatory sinking fund payment, the Series B Indenture permits the Agency to tender to the Trustee for cancellation any amount of Series B Bonds purchased by the Agency at a public or private sale, as the Agency may determine. The par amount of any Series B Bonds so purchased by the Agency and tendered to the Trustee for cancellation at least 30 days prior to any redemption date shall be credited toward and shall reduce the next mandatory sinking fund payments required to be made in the order in which they are required to be made pursuant to the Series B Indenture.

Selection of Series B Bonds

For the purpose of selecting Series B Bonds for redemption, the Trustee shall select Series B Bonds to be redeemed from all Series B Bonds subject to redemption and not previously called for redemption, by lot, in a manner which the Agency shall deem appropriate. That portion of Series B Bonds so redeemed shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

Notice of redemption shall be given by the Trustee for and on behalf of the Agency, not less than 30 days prior to the redemption date by first class mail, to each of the owners of Series B Bonds designated for redemption at their respective addresses appearing on the registration books of the Trustee, the information services (described in the Series B Indenture), and the securities depositories (described in the Series B Indenture). The actual receipt of such notice of redemption shall not be a condition precedent to redemption and failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of such Series B Bonds or the cessation of the accrual of interest thereon on the redemption date. Such notice shall state the redemption date and the redemption price, state the place or places of redemption, state the CUSIP number of the Series B Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Series B Bonds between two stated numbers (both inclusive) or all of the Series B Bonds outstanding are to be redeemed, state that on the redemption date there will become due and payable on each Bond the redemption price thereof and that from and after such date interest thereon shall cease to accrue, and require that such Series B Bonds be then surrendered, with a written instrument of transfer duly executed by the owner thereof or by his attorney duly authorized in writing if payment is to be made to a person other than the owner.

Book-Entry Only System

DTC will act as securities depository for the Series B Bonds. The Series B Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Series B Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See "Appendix H - BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange of Series B Bonds

Any Replacement Series B Bond may be transferred by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Replacement Series B Bond for cancellation, accompanied by delivery of an executed instrument of transfer in a form approved by the Trustee. Replacement Series B Bonds may be exchanged at the principal corporate trust office of the Trustee in Los Angeles, California, for a like aggregate principal amount of Replacement Series B Bonds of authorized denominations and of the same maturity. The Trustee shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No transfers or exchanges of Replacement Series B Bonds shall be required to be made between the date which is 15 days before selection of Replacement Series B Bonds for redemption and the date of mailing notice of redemption or with respect to a Replacement Series B Bond after such Replacement Series B Bond has been selected for redemption.

Debt Service Schedule

The table below provides a summary of the principal and interest payments due with respect to the Bonds.

TABLE 2
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
TAX ALLOCATION BONDS
(UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT)
Debt Service Schedule

	Series A Bonds[1]		Series B Bonds[2]		
Year	Principal	Interest	Principal	Interest	Total
1999[3]	-	$ 232,907.79	-	$ 125,300.77	$ 358,208.56
2000[3]	$ 40,000.00	783,615.00	$ 35,000.00	329,257.52	1,187,872.52
2001[3]	340,000.00	782,255.00	100,000.00	327,682.52	1,549,937.52
2002	355,000.00	770,695.00	110,000.00	323,182.52	1,558,877.52
2003	365,000.00	758,625.00	120,000.00	318,232.52	1,561,857.52
2004	375,000.00	745,485.00	115,000.00	312,592.52	1,548,077.52
2005	395,000.00	731,610.00	130,000.00	307,072.52	1,563,682.52
2006	405,000.00	716,600.00	130,000.00	300,702.52	1,552,302.52
2007	425,000.00	700,805.00	140,000.00	294,202.52	1,560,007.52
2008	440,000.00	683,805.00	150,000.00	287,062.52	1,560,867.52
2009	455,000.00	665,765.00	155,000.00	279,375.02	1,555,140.02
2010	480,000.00	646,655.00	170,000.00	271,237.52	1,567,892.52
2011	495,000.00	626,015.00	175,000.00	262,100.00	1,558,115.00
2012	520,000.00	604,235.00	180,000.00	252,650.00	1,556,885.00
2013	545,000.00	580,835.00	190,000.00	242,750.00	1,558,585.00
2014	570,000.00	555,765.00	205,000.00	232,300.00	1,563,065.00
2015	595,000.00	528,975.00	215,000.00	221,025.00	1,560,000.00
2016	620,000.00	500,712.50	230,000.00	209,200.00	1,559,912.50
2017	650,000.00	471,262.50	235,000.00	196,550.00	1,552,812.50
2018	685,000.00	440,387.50	250,000.00	183,625.00	1,559,012.50
2019	720,000.00	407,850.00	270,000.00	169,875.00	1,567,725.00
2020	750,000.00	373,650.00	275,000.00	154,687.52	1,553,337.52
2021	790,000.00	338,025.00	300,000.00	139,218.76	1,567,243.76
2022	820,000.00	300,500.00	320,000.00	122,343.76	1,562,843.76
2023	860,000.00	259,500.00	335,000.00	104,343.76	1,558,843.76
2024	910,000.00	216,500.00	350,000.00	85,500.00	1,562,000.00
2025	1,085,000.00	171,000.00	370,000.00	65,812.50	1,691,812.50
2026	1,140,000.00	116,750.00	395,000.00	45,000.02	1,696,750.02
2027	1,195,000.00	59,750.00	405,000.00	22,781.26	1,682,531.26
Total	$17,025,000.00	$14,770,535.29	$6,055,000.00	$ 6,185,663.57	$44,036,198.86

(1) Reflects February 1 and August 1 Interest Payment Dates.
(2) Reflects March 1 and September 1 Interest Payment Dates
(3) Interest is capitalized through February 1, 2001 for redevelopment portions of the Series A Bonds and March 1, 2001 for the Series B Bonds.

SECURITY FOR THE BONDS

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level and for certain exceptions described below, 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 (except such portion generated by rates levied to pay bonded indebtedness approved by the voters on or after January 1, 1989, for the acquisition or improvement of real property) are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Tax Revenues consist of a portion of such taxes. See "Tax Revenues," below.

Pledge and Allocation of Taxes

Under provisions of the California Constitution and the Redevelopment Law, taxes levied upon taxable property in the Redevelopment Project 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 redevelopment plan for such Redevelopment Project (the "Effective Date"), are divided as follows:

1. 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 Project 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;

2. Except as provided in subparagraph (3) 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 activities within the Project, and (ii) under certain circumstances, publicly owned improvements outside of the Project; and

3. That portion of the taxes identified in subparagraph (2) 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.

Pursuant to Section 33401(b) of the Redevelopment Law, a redevelopment agency may enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for a pass-through of tax increment revenues directly to the affected taxing agency, and, therefore, are commonly referred to as "tax-sharing agreements." In connection with the adoption of amendments to the

Redevelopment Plan, a determination was made that the Project Area would have an adverse fiscal impact on certain taxing agencies. In order to mitigate this impact, the Agency entered into several tax-sharing agreements with taxing agencies pursuant to which the Agency agreed to pay a percentage of the tax increment revenues derived from the Project to the taxing agencies. See "UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT - Tax-Sharing Agreements" herein.

Series A Bonds

Pledge of Tax Revenues

Pursuant to the Series A Indenture, the Agency has pledged all of its Tax Revenues to the payment of the Series A Bonds. "Tax Revenues" means, for each Fiscal Year, all taxes (including all payments, reimbursements and subventions, if any, specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax limitations to the Agency pursuant to the Redevelopment Law in connection with the Project (excluding (a) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code, (b) amounts, other than amounts required to pay principal or interest or other financing charges with respect to bonds or other obligations issued to increase, improve or preserve the supply of low and moderate income housing within or of benefit to the Project Area, amounts deposited by the Agency into the Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law; and (c) amounts payable to affected taxing agencies pursuant to the Pass-Through Agreements. Such other obligations of the low and moderate income housing fund which are senior to the Agency's pledge of low and moderate include the Agency's 1991 Housing Loan which equals approximately $132,000 annually.

Tax Revenues derived from the Project will be pledged in their entirety to the payment of the principal of, premium, if any, and interest on the Series A Bonds and the reimbursement of amounts drawn from the Series A Reserve Account as defined below. The Agency has no power to levy and collect property taxes, and any legislative property tax de-emphasis or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate would, in all likelihood, reduce the amount of Tax Revenues available to pay the principal of, interest on and premium, if any, on the Series A Bonds. Likewise, broadened property tax exemptions could have a similar effect. For a further description of factors which may result in decreased tax increment revenues, see "RISK FACTORS" herein.

Reserve Account

A Reserve Account (the "Series A Reserve Account") will be established under the Indenture that is required to be funded from the proceeds of the Series A Bonds in the amount equal to the Series A Reserve Requirement. At the date of issuance of the Series A Bonds, the Series A Reserve Requirement equals $1,256,750.00. All money in the Series A Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Series A Interest Account and the Series A Principal Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of the Series A Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Series A Bonds then outstanding. See Appendix B, "SUMMARY OF THE INDENTURES" herein.

Surplus

After making the deposits described above in any Bond Year, the Trustee shall transfer any amount remaining on deposit in the Debt Service Fund to the Agency to be used for any lawful purpose of the Agency; provided, that so long as any Series B Bonds, or any bonds issued on a parity therewith pursuant

to the Series B Indenture, remain outstanding, the Trustee shall transfer all amounts remaining in the Debt Service Fund to the Series B Trustee. Concurrently with such transfer, the Trustee shall notify the Series B Trustee in writing of the fact that the funds so transferred to it are derived from excess amounts then on deposit in the Debt Service Fund for the Series A Bonds and that such funds are required to be applied in accordance with the Series B Indenture.

Additional Series A Bonds

The Series A Indenture provides that the Agency may at any time issue Additional Series A Bonds payable from the Tax Revenues and secured by a lien and charge upon the Tax Revenues equal to and on a parity with the lien and charge securing the Series A Bonds, subject to the following requirements:

(1) Tax Revenues based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll preceding the date of the Agency's adoption of the Supplemental Indentures providing for the issuance of such Additional Series A Bonds plus, at the option of the Agency, the Additional Allowance shall be in an amount equal to at least 125% of the Maximum Annual Debt Service on all then Outstanding Series A Bonds and such Additional Series A Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law, as evidenced by a Consultant's Report, and at least 100% of the maximum annual debt service on the Series B Bonds.

(2) Adjusted Pledged Revenues shall equal at least equal to 100% of debt service. "Adjusted Tax Revenues" means Tax Revenues less the highest annual amount of payments under the Pass Through Agreements, defined herein, over the life of the Bonds, assuming no growth in assessed value within the Project Area.

For purposes of calculating Tax Revenues, a tax rate of $1.00 per $100 of assessed valuation shall be assumed. Additionally, the amount of Tax Revenues will be the amount received in the most recent Fiscal Year (which may be the current Fiscal Year) for which records are available from the County establishing the assessed valuations of property in the Project Area.

For the purposes of the issuance of Additional Series A Bonds, Outstanding Series A Bonds will not include any Series A Bonds the proceeds of which are deposited in an escrow fund held by the Trustee or an escrow agent, provided that the Supplemental Indentures authorizing issuance of such Additional Series A Bonds shall provide that: (i) such proceeds shall be invested in Authorized Investments at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay annual debt service on the foregoing Series A Bonds; (ii) moneys may be transferred from said escrow fund only if Tax Revenues for the then current Fiscal year shall be at least equal to 1.25 times Maximum Annual Debt Service and Adjusted Tax Revenues shall be at least equal to Maximum Annual Debt Service on all Outstanding Series A Bonds less a principal amount of Series A Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) Additional Series A Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

In the event such Additional Series A Bonds are to be issued solely for the purpose of refunding and retiring any Outstanding Series A Bonds, interest and principal payments on the Outstanding Series A Bonds to be so refunded and retired from the proceeds of such Additional Series A Bonds being issued shall be excluded from the computation of Maximum Annual Debt Service. Nothing contained in the Series A Indenture is intended to limit the issuance of any tax allocation bonds of the Agency payable from the Tax Revenues and secured by a lien and charge on the Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Series A Bonds issued will be Outstanding nor shall anything

contained in the Series A Indenture prohibit the issuance of any tax allocation bonds or other indebtedness by the Agency secured by a pledge of tax increment revenues (including Tax Revenues) subordinate to the pledge of Tax Revenues securing the Series A Bonds subject to the provisions of the Series B Indenture.

The term "Additional Allowance" means, as of the date of calculation, (a) the amount of Tax Revenues which, as shown in a consultant's report, are estimated to be receivable by the Agency in the next Fiscal Year as a result of increases in the assessed valuation of taxable property in the Project Area due to either (i) construction which has been completed but has not yet been reflected on the tax roll, or (ii) transfer of ownership or any other interest in real property, which is not then reflected on the tax rolls and (b) the amount of Tax Revenues which, as shown in a consultant's report, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made, as a result of increases in the assessed valuation of taxable property in the Project Area due to inflation at an assumed annual inflation rate of 2%. For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project in the next Fiscal Year is estimated to exceed the assessed valuation of taxable property in the Project in the then current Fiscal Year (as evidenced in a written document from an appropriate official of the County) as of the date on which such calculation is made.

The Agency may also issue bonds or enter into obligations payable from Tax Revenues which are subordinate to the Series A Bonds and subject to the provisions of the Series B Indenture. See Appendix B, "SUMMARY OF INDENTURES".

Series A Bonds Not a Debt of the City of Riverside or the State of California

The Series A Bonds are special obligations of the Agency and as such are not a debt of the City, the State or any of its political subdivisions. Neither the City, the State nor any of its political subdivisions is liable for the payment thereof. In no event shall the Series A Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Indentures. The Series A Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Series A Bonds are liable personally on the Series A Bonds.

Payment Pursuant to Municipal Bond Insurance Policy

Ambac Assurance has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Series A Bonds effect as of the date of issuance of the Series A Bonds. Under the terms of the Municipal Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of the New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency. Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Series A Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series A Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series A Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the

principal of the Series A Bonds, the insured payments will be made at such time and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a Series A Bonds which has become Due for Payment and which is made to a Series A Bonds by or on behalf of the Agency has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Series A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series A Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Series A Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series A Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Series A Bonds and will be fully subrogated to the surrender Series A Bondholder's rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $3,290,000,000 (unaudited) and statutory capital of approximately $1,920,000,000 (unaudited) as of December 31, 1998. Statutory capital consists of Ambac assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that such insurance proceeds representing maturing interest paid by

Ambac Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Series A Bonds.

Ambac Assurance makes no representation regarding the Series A Bonds or the advisability of investing in the Series A Bonds and makes no representation regarding, nor has it participated in the preparation of the Official Statement other than the information supplied by Ambac Assurance and presented under the headings: "SECURITY FOR THE BONDS - Payment to the Municipal Bond Insurance Policy" and " - Ambac Assurance Corporation."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the information requirements of the Securities and Exchange Act of 1933, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwester Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement.

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and filed on March 30, 1999;

2. The Company's Current Report on Form 8-K dated March 24, 1999; and

3. The Company's 1999 Proxy Statement dated March 30, 1999 and filed on March 30, 1999.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "- Ambac Assurance Corporation."

Series B Bonds

Pledge of Tax Revenues

Pursuant to the Series B Indenture, the Agency has pledged all of its Surplus Tax Revenues to the payment of the Series B Bonds. "Surplus Tax Revenues" means, for each Fiscal Year, all amounts received by the Series B Trustee from the Series A Trustee.

Surplus Tax Revenues derived from the Project will be pledged in their entirety to the payment of the principal of, premium, if any, and interest on the Series B Bonds and the reimbursement of amounts drawn from the Series B Reserve Account as defined below. The Agency has no power to levy and collect property taxes, and any legislative property tax de-emphasis or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate would, in all likelihood, reduce the amount of Tax Revenues available to pay the principal of, interest on and premium, if any, on the Series B Bonds. Likewise, broadened property tax exemptions could have a similar effect. For a further description of factors which may result in decreased tax increment revenues, see "RISK FACTORS" herein.

Series B Reserve Account

A Reserve Account (the "Series B Reserve Account") will be established under the Series B Indenture that is required to be funded from the proceeds of the Series B Bonds in the amount equal to the Series B Reserve Requirement. At the date of issuance of the Series B Bonds, the Series B Reserve Requirement equals $442,343.76. All money in the Series B Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Series B Interest Account and the Series B Principal Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of the Series B Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Series B Bonds then outstanding. See Appendix B, "SUMMARY OF THE INDENTURES" herein.

Additional Series B Bonds

The Series B Indenture provides that the Agency may at any time issue Additional Series B Bonds payable from the Tax Revenues and secured by a lien and charge upon the Tax Revenues equal to and on a parity with the lien and charge securing the Series B Bonds, subject to the following requirements:

Adjusted Tax Revenues based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll preceding the date of the Agency's adoption of the Supplemental Indenture providing for the issuance of such Additional Series B Bonds plus, at the option of the Agency, the Additional Allowance shall be in an amount equal to at least 105% of the Maximum Annual Debt Service on all then Outstanding Series B Bonds and such Additional Series B Bonds and Maximum Annual Debt Service as defined in the Series A Indenture as evidenced by a Consultant's Report.

For purposes of calculating Tax Revenues, a tax rate of $1.00 per $100 of assessed valuation shall be assumed. Additionally, the amount of Tax Revenues will be the amount received in the most recent Fiscal Year (which may be the current Fiscal Year) for which records are available from the County establishing the assessed valuations of property in the Project Area.

For the purposes of the issuance of Additional Series B Bonds, Outstanding Series B Bonds will not include any Series B Bonds the proceeds of which are deposited in an escrow fund held by the Trustee or

an escrow agent, provided that the Supplemental Indentures authorizing issuance of such Additional Series B Bonds shall provide that: (i) such proceeds shall be invested in Authorized Investments at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay annual debt service on the foregoing Series B Bonds; (ii) moneys may be transferred from said escrow fund only if Adjusted Tax Revenues for the then current Fiscal year shall be at least equal to 1.05 times the sum of Maximum Annual Debt Service on all Outstanding Series B Bonds plus maximum annual debt service as defined in the Series A Indenture less a principal amount of Series B Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) Additional Series B Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

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

The Agency may also issue bonds or enter into obligations payable from Tax Revenues which are subordinate to the Series B Bonds. See Appendix B, "SUMMARY OF INDENTURES".

Series B Bonds Not a Debt of the City of Riverside or the State of California

The Series B Bonds are special obligations of the Agency and as such are not a debt of the City, the State or any of its political subdivisions. Neither the City, the State nor any of its political subdivisions is liable for the payment thereof. In no event shall the Series B Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Indentures. The Series B Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Series B Bonds are liable personally on the Series B Bonds.

RISK FACTORS

Reduction in Taxable Value

Tax increment revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The taxable value of property is based upon 100% of full cash value, which amount is not always equal to the fair market value of the taxable property. The County Assessor's tax rate does not purport to be based on fair market value. 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 eventualities, an earthquake or other natural disaster, could cause a reduction in the tax increment revenues and consequently Tax Revenues securing the Bonds. Such reduction of tax increment revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds secured by the Tax Revenues. See "UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT - Major Property Owners" for a description of the major property taxpayers within the Project Area. Additionally, there may be legal restrictions on the Agency's ability to receive tax increment revenues. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

Reduction 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. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. The Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area, whether an increase or a reduction, will be realized in the future. The Agency has projected Tax Revenues to be received by it based, among other things, upon such 2% inflationary increases. Should the assessed value of real property not increase at the allowed annual rate of 2%, the Agency's receipt of future Tax Revenues may be adversely affected. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

Levy and Collection

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 increment revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Bonds secured by the Tax Revenues. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments. The County currently allocates to the Agency 100% of Tax Revenues without regard to delinquencies. However, there is no assurance that the County will continue to allocate Tax Revenues in this manner. To estimate the tax increment revenues available to pay debt service on the Bonds, the Agency has made certain assumptions with regard to the assessed valuation in the Project and future tax rates. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation and the tax rates are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected herein. See "UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT - Historical and Estimated Tax Revenues" herein.

Legislation Effecting Redevelopment Agencies

Educational Revenue Augmentation Fund. As part of the 1992/93 State Budget implementation package, the California Legislature adopted S.B. 617 and S.B. 844, which provided for a contribution by (or on behalf of) redevelopment agencies to newly-created "Educational Revenue Augmentation Fund" (the "Fund"). The Fund was established to provide financial assistance to school districts.

The 1993/94 State Budget and the implementing legislation provided for maintaining funding levels for school districts by shifting revenues from other local governments, including redevelopment agencies. The total amount to be contributed to the Fund by redevelopment agencies State-wide was approximately $65 million in fiscal year 1993/94 and again in fiscal year 1994/95. The Agency's total pro-rata share of this amount was based on the net tax increment revenue (excluding amounts paid pursuant to tax sharing agreements with other taxing entities) allocated to the Agency in fiscal year 1990/91. The Agency's share of the total 1994/95 State-wide contribution was approximately $472,000. The State Budgets for subsequent fiscal years did not provide for further payments by redevelopment agencies. However, the legislature may adopt similar or other provisions in future years, the impact of which, if any, cannot be determined.

Redevelopment Plan Limitations. The California Legislature enacted Assembly Bill 1290 effective January 1, 1994, as amended by Senate Bill 732, effective January 1, 1995 (as amended, "AB 1290"), which contains several significant changes in the Redevelopment Law. Certain of the changes affect the times for incurring and repaying loans, advances and indebtedness of redevelopment agencies. Additionally, Assembly Bill 1342 ("AB 1342") was recently adopted and permits the extension of certain Redevelopment Plan limitations for Redevelopment Plans adopted prior to 1994. As enacted, AB 1290 and AB 1342 will not adversely impact the proceedings for the issuance of the Bonds or the payment of debt service on the Bonds.

The Agency cannot predict what effect subsequent State legislation, if any, will have on the Agency's Tax Increment Revenues and, consequently, on its ability to timely pay principal and interest on the Loans.

Economic Concentration

A significant portion of Project Area assessed value is related to industrial and industrial distribution property. Consequently, property value in the Project Area are strongly influenced by the vitality of the regional economy and the resulting demand for industrial and industrial distribution space. To the extent that the economy in the region were to decline, resulting in diminished demand for industrial and industrial distribution space, such a decline could negatively impact Project Area assessed values and the receipt of Tax Revenues.

Concentration of Ownership

The largest property taxpayer in the Project Area accounts for 26.3% of the assessed value of the Project Area, and the ten largest property taxpayers account for 57.5% of assessed value in the Project Area. Concentration of ownership presents a risk in that if one or more of the largest property owners were to default on their taxes, or were to successfully appeal the tax assessments on property within the Project, a substantial decline in Tax Revenues could result. See "TAX REVENUES AND DEBT SERVICE - Ten Largest property Taxpayers" herein.

Bankruptcy and Foreclosure

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

On July 30, 1992, the United States Court of Appeals for the Ninth circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. The court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition as "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

According to the court's ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that the debtor has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time become subject to current *ad valorem* taxes.

In 1994, however, Congress amended Section 362 in order to effectively overturn *Glasply*, however, the practical effect of the automatic stay provisions for *ad valorem* have not been tested. *Glasply* is controlling precedent on bankruptcy courts in the State. Pursuant to statute, the lien date for general *ad valorem* property taxes levied in the State is the January 1 preceding the fiscal year for which the taxes are levied. Therefore, under *Glasply*, a bankruptcy petition filing would prevent the lien for general *ad valorem* property taxes levied in subsequent fiscal years from attaching so long as the property was a part of the estate in bankruptcy.

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 Agency has covenanted in the Indentures to comply with each applicable requirement of Section 103 and Sections 141 and 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 Agency in violation of this or other covenants in the Indentures. 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 Indentures. See "TAX MATTERS" herein.

Seismic Considerations

The City and the Project Area, like all other California communities, may be subject to unpredictable seismic activity. There is no evidence that a ground surface rupture will occur in the event of an earthquake, but there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to property and infrastructure in the City and the Project Area. As a result, a substantial portion of the property owners may be unable or unwilling to pay their property taxes when due. In addition, the value of land in the City and the Project Area could be diminished in the aftermath of such an earthquake, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of property taxes.

Book-Entry System

Beneficial Owners of the Bonds may experience some delay in their receipt of distributions of principal of, and interest on, the Bonds since distributions will be forwarded by the Trustee to DTC and DTC will credit such distributions to the accounts of the DTC Participants which will thereafter credit them to the accounts of the Beneficial Owners either directly or indirectly through indirect participants. See "THE BONDS - Book-Entry Only System" herein. Issuance of the Bonds in book-entry form may reduce the liquidity of the Bonds in the secondary trading market since investors may be unwilling to purchase Bonds for which they cannot obtain physical certificates. In addition, since transactions in the Bonds can be effected only through DTC, DTC Participants, indirect participants and certain banks, the ability of a Beneficial Owner to pledge Bonds to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Bonds, may be limited due to lack of a physical certificate. Beneficial Owners will not be recognized by the Trustee as registered owners for purposes of the Indentures, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and the DTC Participants. See "THE BONDS - Book-Entry Only System" herein and Appendix H hereto.

Year 2000 Compliance

City of Riverside

The following statements are based on current expectations. These statements are forward-looking and actual results may differ materially.

In early 1997, the City Information System Department conducted an exhaustive survey of all of the City's computer hardware and software to determine if each complied with the Year 2000 computer issue ("Year 2000 Issue"). The Year 2000 Issue arises because most computer software programs allocate two digits to the date field for "Year" on the assumption that the first two digits will be "19". Such programs will thus interpret the year 2000 as the year 1900, the year 2001 as the year 1901, etc. absent reprogramming or replacement. The Year 2000 Issue affects the hardware and software for computer information technology systems and the embedded logic of computer chips in non-information technology systems, such as meters, vehicles, transformers, switching gear and environmental systems. The Year 2000 Issue could impact both the ability to enter data into computer programs, the ability of such programs to correctly process data, and the ability to operate non-information technology systems.

As a result of the 1997 survey, it was determined that new hardware and software systems would need to be purchased to replace the existing Finance and Humane Resources Systems. Implementation of the new systems is scheduled to be complete in July, 1999.

The Riverside City Council has allocated approximately $12 million to bring these three systems into compliance with the Year 2000 Issue. Failure to bring these systems into compliance with the Year 2000 Issue could result in the City's inability to make payments to employees and outside vendors, as well as to collect payments from utility users. Riverside has no reason to believe that the target dates for implementation of these systems will not be met.

Independent of the Information Systems Department survey and the Year 2000 Issue, it was determined that Riverside's traffic control and sewage treatment computer systems needed to be updated. Riverside has completed procurement and installation of Year 2000 compliant software for the traffic control system at a cost of approximately $75,000. Thus far, the City has expended approximately $200,000 for upgrades to the sewage treatment system. It is anticipated that an additional three hundred thousand dollars will be appropriated for these upgrades. In the event of failure of the traffic control

system or sewage treatment system such systems will be taken off of computer coordination and control and replaced with local activation and manual operation, respectively.

Riverside expects to have contingency plans in place prior to the critical Year 2000 dates should any of the above systems not be Year 2000 compliant. In addition, updates to the Riverside's Year 2000 compliance efforts can be found at www.ci.riverside.ca.us on the World Wide Web.

Riverside's Public Utility is replacing its Supervisory Control and Data Acquisition ("SCADA") system that controls and monitors the Electric System and Water System, so that it will be Year 2000 compliant. Installation of the new Year 2000 compliant SCADA system is scheduled to be completed in February, 1999. Riverside's electric utility will be working with the California Independent System Operator and California Power Exchange to ensure that all hardware and software interfaces with them regarding transmission and generation are Year 2000 compliant.

Although Riverside's Public Utility's preliminary review of its systems for non-Year 2000 compliant embedded computer chips with date recognition features did not uncover any critical problems, Riverside's Public Utility plans to retain an outside consultant at a cost of $43,000 to exhaustively survey its systems for such non-Year 2000 compliant embedded chips. This embedded chip survey is scheduled to be completed in early 1999. Riverside's Public Utility plans to replace any non-Year 2000 compliant embedded chips which are mission critical to safe delivery of electricity and water to customers before January 1, 2000.

In the event of failure of any of Riverside's distribution operational and monitoring systems, Riverside's Public Utility plans to immediately switch to manual operations, and plans to staff adequate personnel accordingly for the critical Year 2000 dates. Riverside's Public Utility expects to have formal operational procedures for this contingency plan in place to address these issues. Failure of any transmission systems outside of Riverside is beyond the control of Riverside, but in the event of such failure, Riverside will attempt to access alternate transmission paths to the extent they are available.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of the above described remediation efforts will not be fully determinable until the year 2000 and thereafter. Riverside cannot assure that it is or will be Year 2000 ready, that its remediation efforts will be successful in whole or in part, or that third parties with whom Riverside does business will be Year 2000 ready.

Other Entities

For disclosure purposes, the City has received information from the County of Riverside the U.S. Bank Trust National Association and the Depository Trust Company related to their respective responses to the Year 2000 Issue. It should be noted that non-compliance with the Year 2000 Issue by any or all of these entities could materially impact the City and this transactions.

County of Riverside

According to the information recently provided to Riverside by the County of Riverside ("County"), for several years County agencies and departments have been addressing Y2K compliance issues and taking corrective action. The County expects all mission critical mainframe systems and applications will have been fully corrected by April, 1999. The County costs for these modifications have been expended through normal operating funds. The County Department of Information Technology has developed a Y2K website (http:\\www.co.riverside.ca.us\y2k) to assist County agencies and departments in managing their Y2K remediation projects. It is the County's intention that all its operations function properly through December 31, 1999 and thereafter.

Trustee

The following statement, dated January 13, 1999, was received from U.S. Bank. "... We are working to address this very critical issue before the actual date change occurs in order to try to prevent any customer disruptions. U.S. Bancorp, the parent company of U.S. Bank, has financial, technical and staffing resources dedicated to addressing the Year 2000. Our staff is working diligently to identify and analyze all Year 2000 issues, develop action plans, update hardware and software, and test and monitor systems until the organization is ready for Year 2000. We are on schedule to meet our goal. We have completed the renovation and simulated testing for the majority of our mission critical applications. We will use the remainder of the 1999 to thoroughly test all applications both internally and externally."

For more information about U.S. Bancorp's Year 2000 project, visit their Web site at http:\\www.usbank.com.

Depository Trust Company ("DTC")

The following statement, dated September 30, 1998 was received from DTC. "DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "YEAR 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to security holders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon the parties, including, but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contracting (and will continue to contract) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for information purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind."

THE AUTHORITY AND THE AGENCY

Riverside Public Financing Authority

The Riverside Public Financing Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as of December 15, 1987 (the "Joint Powers Agreement") by and between the Agency and the City. The Joint Powers Agreement was entered into pursuant to the provisions of the Act. The governing body of the Authority consists of the same individuals who comprise the City Council of the City and the governing body of the Agency. The Authority was created for the purpose of providing financing for public capital improvements for the City and the Agency through the acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of local obligations within the meaning of the Act. Under the Act, the Authority has the power to purchase and issue bonds to pay the cost of any public capital improvement.

The Redevelopment Agency of the City of Riverside

General. The Agency was established pursuant to the Redevelopment Law on November 14, 1967. The City Council declared itself to be the Agency and since that time members of the City Council have served as both Council members and Agency members. Currently, the Agency is comprised of the following members who serve four-year terms:

Name and Office	Expiration of Term
Terri Thompson, Chair	November 2001
Maureen Kane, Vice-Chair	November 2001
Joy Defenbaugh, Member	November 1999
Chuck Beatty, Member	November 1999
Ameal Moore, Member	November 2001
Alex Clifford, Member	November 1999
Laura Pearson, Member	November 1999

The professional staff of the Agency presently includes the following:

Robert C. Wales is the Assistant City Manager for Development. He also serves as the Agency's Executive Director and was appointed to this position in October 1986. Mr. Wales graduated from Virginia Polytechnic University with a degree in Civil Engineering.

Jerry Rogers was appointed Finance Director/Treasurer for the City in March, 1998. Prior to that, he served as Deputy Finance Director. Mr. Rogers has a degree in Business Administration - Finance from California State University, Long Beach and has been with the City of Riverside since 1987.

William R. Hansen was appointed Debt Administrator for the City in 1989. Mr. Hansen coordinates the issuance of debt and monitors outstanding debt issues for the City and the Agency. Mr. Hansen has a degree in Accounting from San Diego State University and has held various management positions with the City's Finance Department since 1966.

Chester Yoshizaki was appointed the Development Director in August 1998. Mr. Yoshizaki came from the West Covina Redevelopment Agency where he served as Director from 1995 until 1998. Prior to becoming the Director, he served from 1971 in various positions in the West Covina Redevelopment Agency, including Redevelopment Manager from 1978 to 1995. Mr. Yoshizaki has a Bachelor of Science

Degree in Environmental Design (Urban Planning) from the California State Polytechnic University, Pomona.

Donna L. Kunz was appointed the Redevelopment Finance and Administration Manager for the Agency in May 1990. Prior to her appointment, she served as a Management Analyst for the Office of Management and Budget with the City since 1987. Ms. Kunz graduated from the University of Maryland with a degree in Business and Finance in 1975. Ms. Kunz has been employed in financial management positions since 1975 with both governmental agencies and private companies.

Powers. The Agency is charged with the responsibility of eliminating blight within the Project through the process of redevelopment. Generally, this process culminates when the Agency disposes of land for development by the private sector. Before this can be accomplished, the Agency must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses, demolishing the deteriorated improvements, grading and preparing the sites for purchase by developers and providing for ancillary off-site improvements.

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

The Agency may, out of the funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned, within or outside of the project area, so long as improvements are of benefit to the relevant project area and no other reasonable means of financing is available. The Agency must sell or lease remaining property within a project area for redevelopment by others in strict conformity with the redevelopment plan, and may specify a period within which such redevelopment must begin and be completed.

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

Within the limits, restrictions and controls established in the Redevelopment Plan, the Agency is authorized to limit the number, type, size and height of buildings in the Redevelopment Project, and to establish design criteria, traffic circulation, traffic access and other development and design controls necessary for proper development within the Redevelopment Project.

Financial Information. Included in this Official Statement, as Appendix C, are the audited financial statements of the Agency for the Fiscal Year ended June 30, 1998. The Agency has not requested nor did the Agency obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the auditor has not performed any post audit review of the financial conditions and operations of the Agency.

UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT

Background and Redevelopment Plan Limitations

The City Council established the original Central Industrial Redevelopment Project on October 25, 1977 by adoption of Ordinance No. 4471 and amended the original Central Industrial Redevelopment Plan on November 27, 1984, by adopting Ordinance No. 5239 following requisite hearings by the Agency, the Planning Commission and the City Council. The Plan was amended on December 28, 1993, and again on December 20, 1994, to comply with the provisions of AB1290. The Central Industrial Project Area was redesignated as the University Corridor Project Area pursuant to Ordinance No. 5239. The Sycamore Canyon/Box Springs Industrial Redevelopment Project was adopted on December 20, 1983 by Ordinance No. 5148 and amended on December 20, 1994, in order to comply with the provisions of AB1290. The University Corridor Redevelopment Project and the Sycamore Canyon Redevelopment Project were merged and territory added on July 8, 1997, by the adoption of Ordinance No. 6382. Pursuant to the Redevelopment Plan, the amount of bonds outstanding at any one time and payable from the tax increment revenues allocated to the Redevelopment Project cannot exceed $187,000,000. The tax increment revenues allocated to the Agency from the Redevelopment Project are limited to $619,000,000.

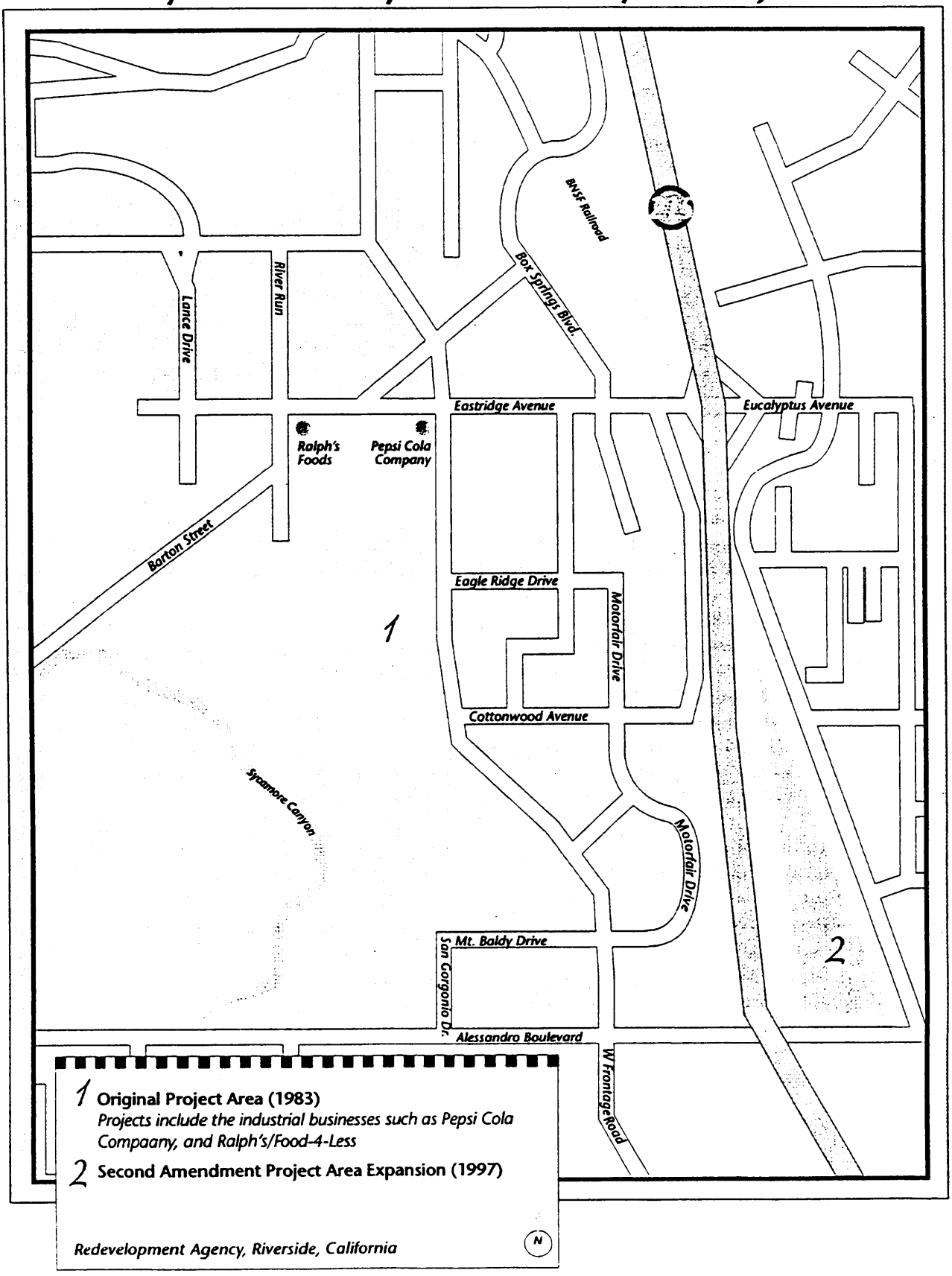
Project Description

The original Sycamore Canyon Project Area encompasses approximately 1,300 acres, most of which is in the southwest portion of the City. It is bounded generally by Sycamore Canyon Park on the west, Alessandro Boulevard to the south, the Pomona Freeway (State Route 60) to the north, and Interstate 215 to the east. The land use mix in the Sycamore Canyon Project Area consists of Industrial property (50%), Public/Institutional uses (34%) and Commercial/Retail land (16%). The University Corridor Project Area encompasses approximately 592 acres. In the 292-acre portion of the original Central Industrial Project Area the westerly boundary is along the right-of-way of the Riverside Freeway (State Route 91). The 300-acre expansion resulting from the 1984 amendment to the University Corridor Redevelopment Plan extended the Project Area easterly along both sides of University Avenue between Park Avenue and the Pomona Freeway (State Route 60). The areas north and south of the University Corridor Project Area are primarily residential. Directly east of the University Corridor Project Area is the University of California, Riverside. The Civic Center is located just west of the Riverside Freeway (State Route 91). Railroad lines run through the University Corridor Project Area easterly of the State Route 91.

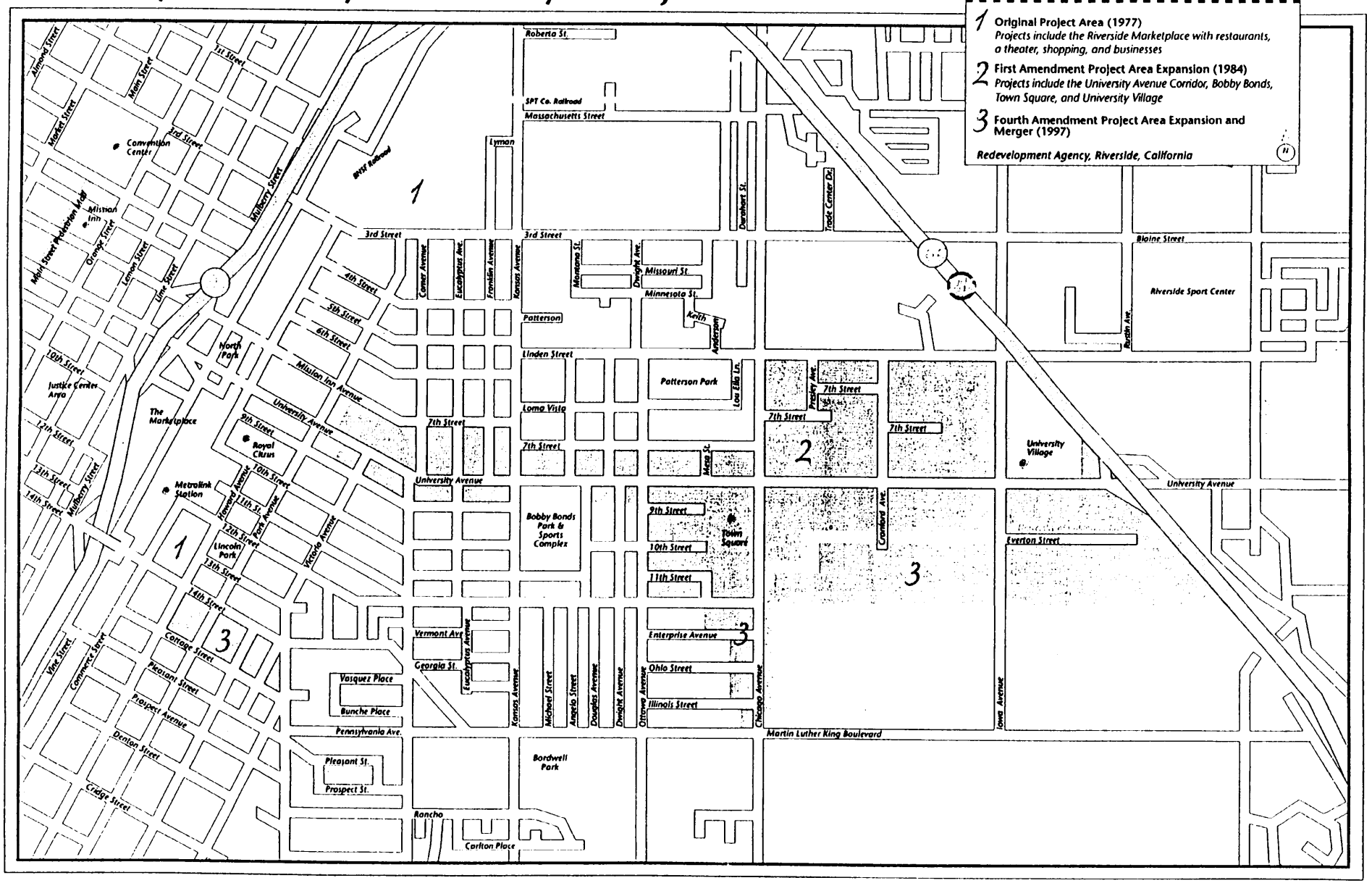
At the time of its formation in 1977, the overall character of the University Corridor Project Area consisted of mixed industrial uses, primarily older buildings with numerous rail lines and spurs The University Corridor Project Area serves as the focus for the three railroads which traverse the City. The University Corridor Project Area is currently a mix of land uses, primarily industrial in the western portion with commercial and residential uses in the area to the east. Land use in the University Corridor Project Area consists of Streets/Railroad Right-of-Way (30%), Industrial uses (25%), Commercial property (27%), Residential property (13%) and Public/Institutional uses (5%).

The added area at the merger of the Redevelopment Plans encompasses a total of approximately 120 acres located near the original University Corridor Redevelopment Project and 34 acres near the Sycamore Canyon Area. Approximately 65 of the 154 acres are currently utilized as an agricultural research facility by the University of California, Riverside. Approximately 12.7 acres are currently vacant. The surrounding parcels in the Added Area have been or are developed for urban uses.

University Corridor/Sycamore Canyon Project Area



University Corridor/Sycamore Canyon Project Area



The table below provides a summary of land uses in the Project Area.

TABLE 3
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(UNIVERSITY CORRIDOR/SYCAMORE CANYON
MERGED REDEVELOPMENT PROJECT)

Land Use By Assessed Value
Fiscal year 1998-99

Category	Assessed Value	% of Assessed Value
Commercial/ Industrial	$352,085,051	95%
Residential	13,488,253	3.6%
Vacant	5,059,176	1.4%
Total	$510,632,480	100%

Source: Redevelopment Agency of the City of Riverside

Development Activities in the Redevelopment Project

The following is a discussion of planned redevelopment activities in the Project Area.

Sycamore Canyon Boulevard Extension. The Agency proposes to extend Sycamore Canyon Boulevard from its current easterly terminus at Eastridge Avenue in order to increase needed traffic circulation through the Project Area.

University Avenue Streetscape Phase II. The Agency plans to continue its improvements to University Avenue.

Sycamore Canyon Rail Improvement. The Agency plans to assist in financing the construction of rail facilities throughout the Project Area to increase access to large warehouses in the Project Area.

Sycamore Canyon Property Consolidations. The Agency plans to assemble odd properties along I-215 corridor into larger parcels under single ownership. This would allow the Agency to prepare these parcels for freeway-oriented commercial and industrial development.

University Corridor Anchor Development Support. The Agency plans to attract anchor stores along the University Corridor by improving parking, site assembly and land use restructuring.

University Corridor Community Business Development. The Agency plans to provide facade improvements, Chavez Center improvements, sign renovations, building renovations, building rehabilitation, local neighborhood improvements and regulatory reforms in the area.

Housing improvements are planned as follows:

Breezewood Park Apartments. The Agency is committed to assist in the rehabilitation of a 156 unit affordable housing project owned by the Housing Authority of the County of Riverside.

Mission Village. Land acquisition for in-fill low and moderate income housing.

Eastside Neighborhood Revitalization Housing Program and Arlington Neighborhood Revitalization Housing Program. The Agency plans to provide rehabilitation loans and grants to enable property owners to improve low and moderate income housing such as exterior beautification grants, down payment assistance, deferred loans which allow renters to become homeowners, street and landscaping improvements.

Arlington Multifamily Rehabilitation Program. Grant funds will be provided to a non-profit affordable housing developer to acquire, rehabilitate and cluster abandoned and dilapidated units.

Tax Rate Overrides

The override rate, or the difference between the total tax rate and the base rate of $1.00, generally represents the tax rate necessary to make payments on voter-approved debt or other obligations of the taxing agency listed. Although the current tax rate for the Project Area exceeds the $1.00 per $100 base rate, as indicated on Table 4 below, the Fiscal Consultant has assumed a $1.00 tax rate in its tax increment projections. See the "REPORT OF FISCAL CONSULTANT" in Appendix D for additional information on the Redevelopment Project tax rates, including the assumptions used in projecting tax increment revenue shown in Table 7.

TABLE 4
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED
REDEVELOPMENT PROJECT
Secured Tax Rate, Fiscal Year 1998/99

University Corridor		Sycamore Canyon Area	
TRA No.	Tax Rate	TRA No.	Tax Rate
09-005	1.02179	09-031	1.01599
09-063	1.02179	09-053	1.02888
09-064	1.02179	09-054	1.01599

Source: Rosenow Spevacek Group, Inc.

Major Assessees

Table 5 below presents a summary of the top 10 major property assessees in the Redevelopment Project.

TABLE 5
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
UNIVERSITY CORRIDOR/SYCAMORE CANYON
MERGED REDEVELOPMENT PROJECT
Major Assessees-Fiscal Year 1997/98

Owner Name	Existing Land Use	Net Value	% of Project Area Secured Value	% of Project Area Incremental Value
State Street Bank	Ralph's Food Distribution Facility	$77,674,288	26.3%	29.5%
Pepsi Cola Bottling Co. of L.A., Inc.	Pepsi Bottling Facility	30,377,995	10.3%	11.5%
Sycamore Title Hldg Corp., No. P1	Vacant Industrial Land	9,812,528	3.3%	3.7%
Butcher Boy Properties	Food Processing	7,364,335	2.5%	2.8%
University Village Phase Ia LLC	University Village Development	5,778,922	2.0%	2.2%
Sunstone Hotel	Courtyard by Marriott	4,606,000	1.6%	1.7%
Sycamore Canyon (Riverside) Inv.	Vacant Industrial Land	4,181,770	1.4%	1.6%
Albert & Bernice Spiegel Trustees	Town Square, Commercial Shopping Ctr.	4,040,005	1.4%	1.5%
Spiegel family Venture 8	Chicago Plaza	3,900,000	1.3%	1.5%
Price Co.	Ind, Manufacturing and Processing	3,649,620	1.2%	1.4%
Total		$151,385,463	51.2%	57.5%

Note: Excludes assessees from the areas added by the 1997 amendments to the University Corridor and Sycamore Canyon/Box Springs Industrial Park Areas

Source: Rosenow Spevacek Group, Inc.

The following discussion provides additional information regarding the two largest assessees in the Project Area. The Agency has obtained this information from various sources without independently verifying such information and cannot assure the accuracy or completeness of the information with respect to these assessees.

State Street Bank. State Street Bank owns 81.22 acres of land in the Sycamore Canyon portion of the Project Area. The site features a grocery warehouse, distribution center and creamery consisting of more than one million square feet which was constructed in 1995 and leased to Smith's Food and Drug Centers ("Smith's Foods"). The property is now subleased to Ralph's Grocery Company ("Ralph's") which, along with Smith's Foods, is an operating unit of Fred Meyer, Inc. Fred Meyer Inc. operates more than 800 stores, mostly in the western United States. In October, 1998, Kroger Co., the nation's largest supermarket company, announced the acquisition of Fred Meyer Inc. The transaction is anticipated to close in early 1999. According to information obtained by the Agency, Ralph's Foods plans to add an additional 100,000 square feet to the facility in 1999. The distribution center employees approximately 900 people. See " - Payments to Developers/Property Owners" herein.

Pepsi Cola Bottling Co. of Los Angeles, Inc. Pepsi Cola's bottling and distribution center in Sycamore Canyon Area is situated on a 30.93 acre site. The Pepsi facility covers nearly one million square feet of space. The full line of Pepsi products are produced on site and distributed to the Inland Empire and desert regions of Southern California. Pepsi Cola employs 380 people at this site.

Regulatory Issues

The Agency is in compliance with the requirements of CEQA with respect to the Redevelopment Project. To the best knowledge of the Agency, development within the Redevelopment Project is in compliance with these requirements.

Tax-Sharing Agreements

The following are summaries of tax-sharing agreements (the "Pass-Through Agreements") of the Agency some of which are senior to the payment of the Bonds, as indicated.

University Corridor Redevelopment Project.

County of Riverside: The County receives a portion of its share of the total tax increment revenue generated by the $1.00 per $100 rate. According to the Fiscal Consultants Report, the weighted average of County shares in constituent tax rate areas represents 29.01% of total tax increment. The portion of the County's share due the County is dependent upon the annual tax increment revenue generated by the $1.00 per $100 rate as follows:

Annual Tax Increment Revenue	% of County Share (29.01%) to be Paid
$ 0 to $500,000	0%
500,000 to 1,000,000	10
1,000,000 to 2,000,000	25
2,000,000 +	50

Over the life of the Project Area, the cumulative total of the County's share of tax increment revenue retained by the Agency shall not exceed $4.0 million. At such time as the Agency has retained from the County's share a total of $4.0 million, the County shall be annually due 100% of its share, or 29.01 percent of revenues generated by the $1.00 per $100 rate.

Based on estimates of prior amounts of the County's share retained, as provided by Agency staff, and on future estimates of tax increment revenues, it is estimated that the County will be entitled to its full share of tax increment revenues in fiscal year 1998-99. Payment of the County's share is senior to the payment of the Bonds.

Flood Control District: According to the Fiscal Consultant's report, the weighted average of the Flood Control District's total share of the $1.00 per $100 rate is 3.2%. This amount is paid annually according to the following schedule:

Fiscal Year	% of District Share (3.29%) to be Paid
1996/97 - 2000/01	15%
2001/02 - 2005/06	25
2006/07 - 2010/11	35
2011/12 - 2015/16	45
2016/17 - 2020/21	52
2021/22 -	100

The payments due to the Flood Control District are subordinate to the debt service due on the Bonds.

Riverside County Superintendent of Schools: The Superintendent of Schools shall receive an annual payment of 30% percent of its share of the $1.00 per $100 rate (2.96%), for the annexed area only on a senior payment lien to that of the Bonds.

Riverside Unified School District: Pursuant to a tax sharing agreement covering the University Corridor, Airport Industrial and Downtown Projects, the Agency is obligated to annual payments to the District of:

$300,000 - 1986-87 through 1989-1990
$542,500 - 1990-91 through 1999-2000

The University Corridor Project Area is to provide 10% of the amounts outlined above, or $54,250 in 1990-91 through 1999-2000. Pursuant to the agreement, the Downtown and Airport Merged Project Area is responsible for the remaining 90%. This obligation is a senior lien to that of the Bonds.

Riverside Community College District: The Community College District receives 100% of its 5.25% share on a subordinate basis to the Bonds.

Sycamore Canyon Redevelopment Project

County of Riverside: The County receives a portion of its share of tax increment revenue generated by the $1.00 per $100 rate plus a pre-established flat fee amount. According to the Fiscal Consultants' report, the weighted average of the County's share represents 29.44% of total increment. The percentage of the County's share and the flat fee amount are dependent on the overall revenue generated annually by the $1.00 per $100 rate as follows:

Annual Tax Increment Revenue	County Payment
$ 0 - 515,000	0% plus $0 flat fee amount
$515,000 - 1,000,000	10% of the County's share of actual tax increment revenue in excess of $515,000 plus $15,000 flat fee
$1,000,000 - 2,000,000	25% of the County's share of actual tax increment revenue in excess of $1,000,000 plus $29,500 flat fee
$2,000,000 +	50% of the County's share of actual tax increment revenue in excess of $20,000,000 plus $104,550 flat fee

Over the life of the Project Area, the cumulative total of the County's share of tax increment to be allocated to and retained by the Agency is not to exceed $4.2 million. At such time as the Agency has retained from the County's share a total of $4.2 million, the County will be annually due 100% of its share. The payment to the County is senior to the payment on the Bonds.

Flood Control District: According to the Fiscal Consultant's report, the weighted average of the Flood Control District's total share of the $1.00 per $100 rate is 4.35%. This amount is to be paid according to the following schedule:

Fiscal Year	% of District's Share (4.35%) to be Paid
1995/96 - 1999/00	33%
2000/01 - 2004/05	35%
2005/06 - 2009/10	39%
2010/11 - 2014/15	43%
2015/16 - 2019/20	48%
2020/21 -	100%

Merged Area. For all property added upon the merger of the University Corridor Redevelopment Project and the Sycamore Canyon Redevelopment Project is subject to the Statutory pass-through amounts described in Section 33607.5 of the Redevelopment Law on a basis senior to the lien of the Bonds.

Payments to Developers/Property Owners

The Agency has entered into Disposition and Development Agreements/Owner Participation Agreements with three developers which provide for payment of certain tax increment revenue to these parties. These agreements are with Smith Foods (the "Smith's Foods Agreement"), Pepsi-Cola Bottling Company (the "Pepsi Agreement") (both in the Sycamore Canyon Redevelopment Project), and the Royal Citrus Company (the "Royal Citrus Agreement") (in the University Corridor Redevelopment Project). Payments under the Smith's Foods Agreement and the Pepsi Agreement are subordinate to the Bonds. To date no payments have been made pursuant to any of these agreements. Agency staff has indicated that the maximum payment pursuant to Royal Citrus is $479,637. Furthermore, inasmuch as the current assessed values for the Royal Citrus parcels are less than the base year value, the Fiscal Consultant projects that no payment will be made pursuant to the Royal Citrus Agreement until 2003-04. Additionally, payments projected to be made to Royal Citrus over the next 12 years are less than $5,000 in each year. Payments pursuant to the Pepsi Agreement are deferred until a certificate of completion is issued by the Agency indicating all conditions required by the Pepsi Agreement with the Agency have been met. The Pepsi project has not yet been completed (as such term is defined in the Pepsi Agreement) and no completion is anticipated by the Agency at this time. Because the revenue generated by the Pepsi project has not been included in the Fiscal Consultant's revenue projections, any required payments under the Pepsi Agreement have also not been included.

The Smith's Foods Agreement requires payment of a portion of revenue generated by the Smith's Foods project to repay advances made by Smith's Foods to a Community Facilities District for infrastructure costs. The actual amount advanced by Smith's Foods was $2,511,863. Pursuant to the terms of the Smith's Foods Agreement, the payment obligation has increased with accrued interest to $2,832,778. This payment amount will remain constant through the final term of the Smith's Foods Agreement. The obligation of the Agency under the Smith's Foods Agreement has been assigned to the current owner of the property. In accordance with the Smith's Foods Agreement, the Agency notified the current owner of property, Ralph's Grocery Company ("Ralph's"), that the Agency intends to issue the Bonds and requested that Ralph's acknowledge that Agency payments under the Smith's Foods Agreement are subordinate to payment on the Bonds. Ralph's, thus far, has declined to sign the acknowledgment. However, special counsel to the Agency has rendered an opinion that payments of the Agency under the Smith's Foods Agreement are subordinate to the Agency's obligations to pay debt service on the Bonds.

Historic Values

Tables 6 below shows historic and estimated tax increment of the Agency for the Redevelopment Project.

TABLE 6
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
University Corridor/Sycamore Canyon Merged Redevelopment Project
Historic and Estimated Taxable Values and Tax Increment Revenues
Fiscal Years 1993/94 through 1998/99

Assessed Values[1]	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99[4]
Secured:	$244,531,484	$254,022,124	$303,634,276	$278,416,581	$295,562,944	$306,398,322
Unsecured:	35,022,212	40,485,456	49,554,675	48,724,071	58,829,434	63,691,101
Utility[2]:	1,967,875	1,150,583	1,199,843	1,160,773	2,509,745	3,525,034
Total Value	$281,521,571	$295,658,163	$354,388,794	$328,301,425	$356,902,123	$373,614,457
% Change:	N/A	5.02%	19.86%	-7.36%	8.71%	4.68%
Less Base Year Value	(98,165,978)	(93,578,065)	(93,578,065)	(93,578,065)	(93,578,065)	(101,604,563)
Incremental Assessed Value	$183,355,593	$202,080,098	$260,810,729	$234,723,360	$263,324,058	$272,009,894
% Change:	N/A	10.21%	29.06%	-10.00%	12.18%	3.30%
Estimated Revenue[6]	$1,883,793	$2,073,783	$2,679,509	$2,411,379	$2,704,757	$2,792,537
% Change:	N/A	10.09%	29.21%	-10.01%	12.17%	3.25%
Revenue Received[3]:	1,992,227	1,938,253	2,832,879	2,503,998	2,698,417	N/A
Property Tax Admin.Costs:	(33,314)	(34,170)	(35,310)	(53,865)	(30,247)	N/A
Net Rev. Paid:	$1,958,913	$1,904,083	$2,797,569	$2,450,126	$2,668,170	N/A
% Change:	N/A	-2.80%	46.92%	-12.42%	8.90%	N/A

(1) Information derived from County of Riverside Auditor Controller Annual District Assessed Value Forms
(2) Nonunitary utility property is assessed by the State Board of Equalization.
(3) Information derived from County of Riverside Auditor Controller Remittance Advice Forms. Information not yet available for 1998-99. Revenues Paid by the County to Redevelopment Project Areas include current secured, unsecured and supplemental; homeowners; unitary utility; prior secured, unsecured and supplements; and County Pass-Through withheld.
(4) Sycamore Canyon/Box Springs Industrial Park and University Corridor - 1997 Added Areas excluded. These Areas were not eligible to receive tax increment until FY 1998-99.
(5) Preliminary assessed values as reported by the County of Riverside Auditor Controller prior to equalization of the roll. The 1997-98 Utility value and Total Levy Rate were assumed for 1998-99. Sycamore Canyon/Box Springs Industrial Park - 1997 Added Area excluded, preliminary assessed values were not yet assigned for 1998-99.
(6) The "Total Est. Revenue" for 1997-98 and 1998-99 differs from the "Total Merged Area Tax Increment" shown on Table 8 because the projections do not include override rate revenue, but anticipated Unitary Utility Revenue and a deduction of 10% for Appeal Reduction have been included.

Source: Rosenow Spevacek Group, Inc.

Assessment Appeals

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board (the "Appeals Board"). After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the property assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Appeals Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

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

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

Some of the appeals filed in the Project Area have been based on Section 51 of the Revenue and Taxation Code (also referenced as a "Proposition 8 Adjustment") which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS - Property Tax Limitations - Article XIIIA and Implementing Legislation" herein.

The following Table 7 summarizes the appeal activity in the Project Area over the last four years. With respect to recent appeals by the major property owners in the Project Area, State Street, Pepsi and Price Company filed appeals in 1997. As of January, 1999, both Pepsi and Price Company had withdrawn their appeals. The appeal filed by State Street represents an appeal reduction of $47,674,288 on property with an assessed value of $77,674,288. In dollar terms, this appeal represents nearly half of the total requested reduction for Project Area. According to information obtained by the Agency, the Appeals Board has not concluded its review of the State Street appeal. As discussed below, the Fiscal Consultant has assumed that a portion of the outstanding appeals will be successful, resulting in a reduction in Project Area assessed values. To the extent that the Appeals Board approves a reduction in assessed value greater than the amount assumed by the Fiscal Consultant, the resulting reduction in Tax Revenues could have an adverse effect on the Agency's ability to pay the debt service due with respect to the Bonds. See "RISK FACTORS - Reduction in Taxable Value."

TABLE 7
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
UNIVERSITY CORRIDOR/SYCAMORE CANYON
MERGED REDEVELOPMENT PROJECT
Secured Roll Assessment Appeal Summary
1994-95 to 1997-98[1]

	1994	1995	1996	1997
Appeal Summary				
Total No. of Appeals on File[2]	49	67	101	86
Appeals Withdrawn/No Appear./Late File/Denied	33	44	73	0
Appeals Stipulated/Reduced	16	23	10	0
Appeals Pending	0	0	18	86
Assumed Value Reduction				
Total AV of Appeals Not Pending	$58,781,042	$102,944,432	$46,131,008	--
Applicant Opinion	30,496,219	35,797,651	14,872,846	--
Requested Reduction	$28,284,823	$67,146,781	$31,258,162	--
% Reduction Requested	48%	65%	68%	--
Reduction Granted	$8,201,139	$9,200,931	$2,300,496	--
% Reduction Granted	15%	9%	5%	--
Pending Appeals				
Total AV	--	--	$6,314,305	$158,494,864
Applicant Opinion	--	--	$3,795,170	$58,897,457
Requested Reduction	--	--	$2,519,135	$99,597,407
% Reduction Requested	--	--	40%	63%

(1) As of August, 1998
(2) Duplicate appeals for same parcel in same year have been eliminated.

Source: Rosenow Spevacek Group, Inc.

Although the outcome of the pending appeals cannot be accurately projected, the tax increments projections have been decreased to accommodate outstanding appeals. Historically, there is little relationship between the level of reduction sought and that amount granted, and the percentage granted over the last three years. As a result, the projections assume a 10% reduction in assessed value for all parcels subject to an appeal. The effect of a 10% reduction in pending appeal assessed values will bring total Project Area incremental value from $164,809,169 to $148,328,252.

Projected Tax Increment Revenues

Table 8 shows the projected tax increment revenues for the Project through Fiscal Year 2004/05 as prepared by the Agency's Fiscal Consultant. Tax Revenue figures are based on identified new development in the Project Area and annual Project assessed valuation increases of 2%. Actual increases in taxable valuation may be less than or greater than increases assumed herein. The "REPORT OF FISCAL CONSULTANT" in Appendix D outlines assumptions regarding the projections and new development.

The Agency has relied on the Fiscal Consultant's estimates in the development of its financing plan and believes those estimates to be reasonable. However, the Agency makes no representations as to the validity of the assumptions, explicit or implicit, made in such estimates, nor does it represent that estimated gross or net Tax Revenues will be realized.

Debt Service and Estimated Coverage

Table 9 sets forth the debt service and estimated coverage on the Bonds during the next five fiscal years. Estimated total revenues are based on the following assumptions:

1. The Fiscal Consultant's projects of net Tax Revenues as summarized in Table 8 and as set forth in Appendix A hereto are realized through Fiscal Year 2004/05.

2. The debt service is based on the maturity schedule and interest rates for the Bonds as set forth on the cover page hereof.

The estimates in Table 9 are based on the assumption that the Agency will not incur parity debt for the Project Area during the years shown. However, it is likely the Agency will incur such parity debt as its Tax Revenues increase, although it is difficult to predict the timing or amount of any such debt. See "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

TABLE 8
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
University Corridor/Sycamore Canyon Merged Redevelopment Project
Projection of Tax Increment Revenues

	1999-2000	2000-2001	2001-2003	2002-2003	2003-2004	2004-2005
Secured Assessed Values[1]	$318,468,497	$326,146,545	$332,669,476	$339,322,866	$346,109,323	$353,031,510
New Construction	1,283,018	0	0	0	0	0
Unsecured & Utility Values	67,431,281	67,431,281	67,461,281	67,431,281	67,431,281	67,431,281
Total Assessed Value	387,182,796	393,577,826	400,100,757	406,754,147	413,540,604	420,462,791
Incremental Value	$279,978,757	$286,373,787	$292,896,718	$299,550,108	$306,336,565	$313,258,752
Gross Tax Increment[2]	$2,799,788	$2,863,738	$2,928,967	$2,995,501	$3,063,366	$3,132,588
Unitary Utility Revenue	27,683	27,683	27,683	27,683	27,683	27,683
Less Income from 10% Appeal Reduction	(164,808)	(164,808)	(164,808)	(164,808)	(164,808)	(164,808)
Total Tax Increment Generated	$2,662,663	$2,726,613	$2,791,842	$2,858,376	$2,926,241	$2,995,463
Less 1991 Housing Loan	(132,200)	(132,200)	(132,200)	(132,200)	(132,200)	(132,200)
Total Unsubordinated Pass-Throughs	(337,850)	(544,745)	(583,115)	(597,518)	(612,208)	(627,192)
Tax Revenue	$2,192,813	$2,049,868	$2,076,727	$2,128,858	$2,181,432	$2,236,271
Subordinate Pass-Thrus Subordinate	(6,464)	(6,632)	(11,340)	(11,632)	(13,241)	(15,078)
Less Subordinate Developer Payments	(280,782)	(286,629)	(292,594)	(298,677)	(304,947)	(311,518)
Remaining Revenue[3]	$1,925,567	$1,756,607	$1,772,853	$1,818,549	$1,863,244	$1,909,675

(1) Assumes a 2% increase in annual secured assessed values.

(2) The Fiscal Consultant has utilized a 1% tax rate for purposes of estimating future tax revenues.

(3) The Agency is capitalizing the 20% Low and Moderate Income Housing Set-Aside. Housing amounts received exceeding the debt service shall be transferred to the Housing Fund. See Table 9 footnote (1).

Source: Rosenow Spevacek Group, Inc.

TABLE 9
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
University Corridor/Sycamore Canyon Merged Redevelopment Project
Debt Service Coverage

Fiscal Year	Tax Revenues[1]	Series A Bonds	Senior Bond Coverage Ratio[2]	Series B Bonds	Aggregate Coverage Ratio[3]
1999/00	$2,192,813	$93,119[4]	23.55x	$91,207	11.90x
2000/01	2,049,868	156,125	13.13x	137,791	6.97x
2001/02	2,076,727	1,116,475	1.86x	425,433	1.35x
2002/03	2,128,858	1,119,660	1.90x	430,708	1.37x
2003/04	2,181,432	1,117,055	1.95x	435,413	1.41x
2004/05	2,236,271	1,113,548	2.01x	424,833	1.45x

(1) Source: Rosenow Spevacek Group. (See Table 8). Includes Unitary Revenues. Figures reflect no deduction of the housing set-aside requirement. The Agency must set aside 20% of all tax increment revenues it receives in excess of the amounts necessary to pay debt service on the Bonds. Any such amounts which must be set aside will not be available to pay debt service on the Bonds. See "LIMITATIONS ON TAX REVENUES - Low and Moderate Income Housing Requirements" herein.

(2) Reflects the ratio determined by dividing estimated Tax Revenue by Series A Bond debt service.

(3) Reflects the ratio determined by dividing Tax Revenue by the debt service of the Series A Bonds and the Series B Bonds.

(4) Represents the portion of debt service for the low and moderate income housing, the remaining debt service will be paid with capitalized interest.

LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

Property Tax Limitations - Article XIIIA and Implementing Legislation

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 XIIIA 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 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 2% 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 1% 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 June 1986 by initiative which exempts from the 1% tax rate limitation any tax levied to pay bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property. 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 election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amend Article XIIIA. Proposition 58 amends Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first $1,000,000 of other property between parents and children. Proposition 60 amends Article XIIIA and allows persons, age 55 or older, to transfer the lower assessed value of their current home to another newly purchased home of equal or lesser value. For the exemption to apply, the new residence must be located in the same county and purchased within two years after the sale of the previous residence. Proposition 60, as such, has no direct State or local fiscal effect unless the county board of supervisors passes an ordinance implementing it.

The passage of Propositions 58 and 60 is expected to result in diminution of future increases in property taxes for the Agency. Although the extent of the decrease in revenues in future years is not known, the Agency does not anticipate that such decreased tax increment revenues will have an impact on the Agency's ability to repay the Bonds and the interest payable with respect thereto.

Challenges to Article XIIIA

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

Appropriations Limitations: Article XIIIB of the California Constitution

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 September 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 shall 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 shall 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. The constitutionality of Section 33678 has been upheld in two California appellate court decisions *Brown v. Community Redevelopment Agency of the City of Santa Ana* and *Bell Community Redevelopment Agency v. Woosley*. The plaintiff in Brown petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding. On the basis of these court decisions, the Agency has not adopted an appropriations limit.

Proposition 218

An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The Agency does not impose any such taxes, assessments, fees or charges and, with the exception of the basic one percent *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution, a portion of which is allocated to the Agency, no such taxes, assessments, fees or charges are imposed on behalf of the Agency. Accordingly, while the provisions of the Initiative may have an indirect effect on the Agency, such as by limiting or reducing the revenues otherwise available to the City or other local governments whose boundaries encompass property located within the Project thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the Project, the Agency does not believe that the Initiative will directly impact the Tax Increment Revenues available to it.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

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 the 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 recordation 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.

Current tax payment practices by the County provide for payment to the Agency of tax increment revenues throughout the Fiscal Year with the majority of tax increment revenues paid to the Agency in January and May. Presently, unitary revenues are disbursed separately, lagging behind the tax increment revenue disbursements by 15 to 60 days. Additionally, supplemental tax increment revenues are disbursed to the Agency as collected by the County on a monthly basis.

Penalties. A 10% penalty is added by the County 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 sold to the State 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% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then 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% 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 and become delinquent August 31. The valuation of unitary property is determined as of January 1 of each year and becomes delinquent at the same time taxes on secured property become delinquent.

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

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

CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT - Historical and Estimated Tax Revenues" herein.

Business Inventory Replacement Revenue

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

In 1990, the California Legislature amended Section 16112.7 of the California Government Code (AB 160, Chapter 449, Statutes of 1990) which precludes redevelopment agencies from pledging special subvention revenues toward the payment of debt service for bonded indebtedness incurred after July 31, 1990 (the effective date of the legislation). The 1992/93 State Budget reduced the State's funding for the special subvention. As enacted under AB 222 (Chapter 188, Statutes of 1991), the Budget Act eliminated 1991/92 subvention payments for most redevelopment projects, including the Project. Additionally, the 1992/93 State Budget implemented further cuts in funding for the State's special subvention to redevelopment agencies. As a result, these revenues are not included in the projections of estimated Tax Revenues in the Fiscal Consultant's Report. See Appendix D, "REPORT OF FISCAL CONSULTANT."

Unitary Property

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

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

Low and Moderate Income Housing

Sections 33334.2 and 33334.6 of the Redevelopment Law requires redevelopment agencies to set aside 20% of all tax increment revenues (the "20% Housing Set-Aside")allocated and paid to redevelopment projects 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. A portion of the 20% Housing Set-Aside will be used to pay debt service due with respect to the 1991 Housing Loan of the Sycamore Canyon Project Area. This prior debt service approximates $132,000 annually through 2024. See "University Corridor/Sycamore Canyon MERGED REDEVELOPMENT PROJECT - Capital Projects" herein.

The pledge of Tax Revenue and Surplus Tax Revenues includes a pledge of the Housing Set-Aside in an amount equal to 20% of the annual debt service on the Bonds. In the Series A and Series B Indentures, the Agency covenants that it will comply with all requirements of the Redevelopment Law relating to the deposit of Tax Revenues in the Low and Moderate Income Housing Fund established by the Agency pursuant to Section 33334.3 of the Redevelopment Law, and that, in the event the Agency chooses to exercise its options under Section 33334.6(d) or (e) of the Redevelopment Law, the Agency will adopt a plan in accordance with the provisions of Section 33334.6(g) in such manner as will not materially adversely affect the Agency's ability to pay debt service on the Bonds. In the Series A and Series B Indentures, the Agency covenants that it will comply with all requirements of the Redevelopment Law relating to the deposit of tax increment revenues allocable to the Agency from the Project Area in the Low and Moderate Income Housing Fund established by the Agency pursuant to Section 33334.3 of the Redevelopment Law.

Redevelopment Plan Limitations on Tax Increment Revenues

Sections 33333.2 and 33333.4 of the Redevelopment Law require each redevelopment agency to either include in each redevelopment plan or to adopt by ordinance a limitation on the number of dollars of taxes which may be divided and allocated to the redevelopment agency with respect to the related redevelopment project area. Pursuant to Section 33333.2, taxes may not be allocated to a redevelopment agency beyond this limitation except by amendment of the redevelopment plan. The Redevelopment Plan contains such a tax increment limitation. The amount of taxes attributable to real property (land and improvements excluding personal property) located within the Project which may be divided and allocated to the Agency pursuant to the Redevelopment Law is $619,000,000 over the life of the Project. The amount of bonded indebtedness which may be Outstanding at any one time cannot exceed $187,000,000. No loans, advances or indebtedness may be established after July 8, 2017 without amendment of the Redevelopment Plan. Currently the Agency has $22,169,000 of indebtedness relating to the Project Area outstanding, and has collected $23,113,486 in tax increment revenue as of December 1, 1998.

CONCLUDING INFORMATION

Certain Legal Matters

Richards, Watson & Gershon, a Professional Corporation, Bond Counsel, will render an opinion with respect to the Bonds substantially in the form set forth in Appendix E to this Official Statement. Copies of this opinion will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Best Best & Krieger LLP and for the Agency by its general counsel.

Ratings on Series A Bonds

Moody's Investors Service and Standard & Poor's Corporation have given the Series A Bonds a rating of "Aaa" and "AAA," respectively, conditioned on the issuance by Ambac Assurance Corporation of its standard financial guaranty policy at the time of delivery of the Series A Bonds. The ratings are not recommendations to buy, sell or hold the Series A Bonds. An explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. The Agency furnished to such rating agencies certain information and materials. Generally, rating agencies base their ratings on such information and materials so furnished and on investigations, studies and assumptions made by it. There is no assurance that the ratings mentioned above will continue for any given period of time or that the ratings may not be lowered or withdrawn entirely by such rating agency, if in their judgment circumstances so warrant. The Agency has not undertaken any responsibility to bring to the attention of the owners of the Series A Bonds any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series A Bonds

Series B Bonds Unrated

The Series B Bonds are not rated by any rating agency. The Agency has not applied for a rating on the Series B Bonds and the Agency has no reason to believe that rating agency would apply an investment grade rating to the Series B Bonds.

Underwriting

The Bonds are being purchased for reoffering by Stone & Youngberg LLC (the "Underwriter"). The Underwriter has agreed to purchase the Series A Bonds for the principal amount of the Series A Bonds less an Underwriter's Discount of $149,649.75 and, less $291,942.60 representing an original issue discount. The Underwriter has agreed to purchase the Series B Bonds for the principal amount of the Series B Bonds less an Underwriter's Discount of $72,478.35 and less $48,029.60 representing an original issue discount. The Purchase Agreement pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such Purchase Agreement.

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 this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Litigation

There is no litigation pending or, to the Agency's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, or to contest the validity of the Bonds, the Indentures or any proceeding of the Agency with respect thereto. In the opinion of the Agency and its counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances so as to impair its ability to repay the Bonds.

Tax Matters

The Internal Revenue Code of 1986 (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactively to the date of issue of the Bonds. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds are to be invested and require, under certain circumstances, that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America. The Authority has covenanted in the Indenture to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxation of the State of California and, assuming compliance with the aforementioned covenant, interest on the Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel are also of the opinion that the Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).

Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Bonds from gross income for Federal income tax purposes. Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel express no opinion as to any Bond, or the interest thereon, if any such change occurs or action is taken upon the advice or approval of bond counsel other than Richards, Watson & Gershon.

Although Bond Counsel have rendered an opinion that interest on the Bonds is excluded from gross income for Federal income tax purposes, a Bondholder's Federal tax liability may otherwise be affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section

832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code, (iv) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (v) passive investment income, including interest on the Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (vi) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds. Bond Counsel have expressed no opinion regarding any such other tax consequences. The opinion of Bond Counsel regarding exemption from personal income taxation in the State of California and the exclusion from gross income for Federal income tax purposes of interest on the Bonds, and approving the validity of the Bonds, will be substantially in the form set forth in Appendix E hereto.

Verification of Mathematical Computations

Grant Thorton LLP, a firm of independent certified public accountants, upon delivery of the Bonds, will deliver its verification report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of computations prepared by Stone & Youngberg LLC relating to the sufficiency of the anticipated receipts of U.S. Treasury Obligations, together with the initial cash deposits, if any, in the Escrow Fund to pay, when due, the principal, interest and early redemption premium requirements of the Prior Bonds, and the mathematical accuracy of the "yield" on the U.S. Treasury obligations and the Bonds.

The report of Grant Thorton LLP, will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

Miscellaneous

The quotations from, and summaries and explanations of the Indentures and other statutes and documents contained herein do not purport to be complete, and reference is made to such documents, the Indentures and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Agency. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Agency. The information contained herein shall not be construed as representing all conditions affecting the Agency or the Bonds.

At the time of delivery of the Bonds, the Underwriter will receive a certificate signed by a representative of the Agency confirming to the Underwriter that, to the best knowledge of said representative, the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

All information contained in this Official Statement pertaining to the Agency has been furnished by the Agency, and the execution and delivery of this Official Statement have been duly authorized by the Agency.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

By: /s/ Robert C. Wales
Executive Director

APPENDIX A

GENERAL INFORMATION ON THE CITY AND AREA

The Bonds will not be secured by any pledge of City General Fund revenues but will be payable solely from Tax Revenues (as defined in the Indenture) and certain other funds of the Agency. The description of the financial and economic position of the City of Riverside set forth below and on the following pages is included in the Official Statement for information purposes only.

THE CITY OF RIVERSIDE
ECONOMIC BACKGROUND AND FINANCIAL INFORMATION

The City is the county seat of Riverside County (the "County") and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. Within 10 miles of the City are the cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the Counties of Riverside and San Bernardino and comprise the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"). The MSA represents an important economic area of the State and of Southern California. It lies to the west and south respectively of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

Riverside and San Bernardino Counties cover 27,400 square miles, a land area larger than the State of Virginia. With a population of over 2.5 million, it ranks as the 14th largest MSA in the United States. Riverside County alone is larger than the State of New Jersey. The MSA, though small geographically in relation to the bi-county area, contains most of the two counties' population.

Municipal Government

The City was incorporated in 1883 and covers 79.6 square miles. The City is a charter city and has a council-manager form of government with a seven-member council being elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the council, but does not have a vote except in case of a tie. The position of City Manager is filled by appointment of the council to serve as administrator of the staff and to carry out the policies of the council. Functions of the City government are carried out by approximately 1,950 full and part-time personnel. The City operates and maintains a sewer system. Water is supplied by the City system. Electricity is provided by the City-owned electric utility system. Other City services include public safety, a diversified recreation program and park department, a museum and a library system.

Employee Relations

City employees are covered by recently negotiated memoranda of understanding with four employee organizations. The three largest units, Public Employee's Association of Riverside County, Police Officers' Association and Fire Fighters' Association, represent 1,300 employees, or 90% of the total organized employees.

Population

As of January 1, 1998 the population of the City was approximately 250,800, an increase of over 10 percent over the census population of the City in 1990. The following table presents population data for both the City and County.

POPULATION

Year	City of Riverside	Riverside County
1940	34,696	105,524
1950	46,764	170,046
1960	84,332	306,191
1970	140,089	459,074
1980	165,087	663,923
1990	226,505	1,170,413
1997	241,600	1,380,000
1998	250,800	1,441,200

Sources: 1940-1990 U.S. Census; 1998 State Department of Finance.

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District, which also serves the County area southwest of the City. These two districts include 56 elementary and middle schools and high schools. There are also about 46 private or parochial schools for kindergarten through twelfth grade. Average daily attendance for the two public school districts is given below.

COUNTY OF RIVERSIDE PUBLIC SCHOOL ENROLLMENT
Fiscal Years 1993 through 1997[1]

Grades	1993	1994	1995	1996	1997[1]
K-8	183,089	187,963	192,732	197,750	203,042
9-12	247,158	255,163	263,890	272,498	281,031
Total	430,247	443,126	456,622	470,248	484,073

Source: State Department of Finance
[1] Based on Fall, 1997 enrollment

Locally, higher education is available at four institutions. Riverside Community College, which had an enrollment of approximately 22,000 in the Fall of 1998; University of California at Riverside, which had a graduate and undergraduate enrollment of approximately 9,500 in the Fall of 1998; California Baptist University, which had an enrollment of 1,926 in the Fall of 1998, and La Sierra University at Riverside, which had an enrollment of approximately 1,572 in the Fall of 1998. Also located in the City are the California School for the Deaf, which had an enrollment of 520 during the Fall of 1998, and the Sherman Institute, a federally-run school for Indians, which had an enrollment of 373 during the Fall of 1998.

Employment

Annual employment information is unavailable for the City of Riverside, however it is available for the Riverside MSA. The MSA's civilian labor force increased to an annual average of 641,100 in 1997 from the 617,700 average of 1996. The following table summarizes the labor force employment and unemployment figures over the past five years for the Riverside MSA, the State and the United States.

LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT*
Yearly Average for Calendar Years 1993 through 1997

Year and Area	Civilian Labor Force	Employed	Unemployed	Unemployment Rate
1993				
Riverside MSA	588,300	518,400	69,900	11.9
California	15,359,500	13,918,300	1,441,200	9.6
United States	129,200,000	120,259,000	8,940,000	6.9
1994				
Riverside MSA	603,600	540,200	63,400	10.5
California	15,450,000	14,122,000	1,327,900	8.6
United States	131,056,000	123,000,000	7,996,000	6.1
1995				
Riverside MSA	611,900	553,800	58,100	9.5
California	15,412,200	14,202,800	1,209,400	7.8
United States	132,304,000	124,900,000	7,404,000	5.6
1996				
Riverside MSA	617,700	567,100	50,600	8.2
California	15,568,600	14,444,400	1,124,200	7.2
United States	133,943,000	126,708,000	7,236,000	5.4
1997				
Riverside MSA	641,100	592,900	48,200	7.5
California	15,971,800	14,965,500	1,006,300	6.3
United States	136,296,800	129,557,900	6,738,800	5.0

Source: California Employment Development Department
* Data are not seasonally adjusted.

The following table presents the distribution of persons in various wage and salary employment categories in the MSA as of March 1996 and March 1997.

MONTHLY EMPLOYMENT COMPARISON RIVERSIDE MSA
(in thousands)

Industry	March 1996	March 1997
Total Nonfarm	803,500	842,800
Mining...	1,200	1,200
Construction	46,400	51,300
Manufacturing - Durables	65,900	70,600
Manufacturing - Nondurables	33,300	34,500
Transportation and Public Utilities	41,100	42,700
Trade: Wholesale	37,500	39,500
Trade: Retail	172,600	178,300
Finance, Insurance, Real Estate	29,600	30,200
Services	208,700	222,000
Government	167,300	172,400
Total	1,609,900	1,685,500

Source: California Employment Development Department

Housing

The 1990 federal census reported 78,567 housing units in the City, an increase of 23% since 1980. In 1970, about 79% of the City's total housing stock consisted of single family units, and approximately 60% of all housing units were owner-occupied. By 1990, about 65% of all dwelling units were single family, as the number of apartment units increased. The following table summarizes the changes in the City's housing stock since 1970.

CITY OF RIVERSIDE
Change in Housing Stock

Type	April 1970	April 1980	January 1990	January 1997
Single family	36,277	45,770	52,523	56,465
2-4 Units	3,624	4,822	5,165	5,293
5 or more Units	5,395	11,788	18,985	20,274
Mobile Homes	632	1,348	1,894	2,127
Total Units	45,928	63,728	78,567	84,159

Source: California State Department of Finance

Construction Activity

The total valuation of building permits issued in the City equaled $173.6 million in 1998[1], an increase of 22.5% from fiscal year 1997. The following table provides a summary of building permit valuations and the number of new dwelling units authorized in the City during the past five years.

CITY OF RIVERSIDE BUILDING PERMIT VALUATION
For Calendar Years 1993 through 1998
($ in millions)

	1993	1994	1995	1996	1997	1998[1]
Valuation						
Residential	60.6	51.7	30.2	57.8	95.1	125.3
Nonresidential	48.3	26.1	47.2	52.1	46.6	48.3
Total	108.9	77.8	77.4	109.9	141.7	173.6
New Dwelling Units						
Single Family	385	361	166	244	421	592
Multiple Family	4	2	2	208	405	336
Total	389	363	168	452	826	928

Source: Construction Industry Research Board.
[1] Totals through November, 1998 only

Retail Sales

The following table indicates growth of taxable transactions for the period 1992 through 1997 in the City by type of business:

CITY OF RIVERSIDE TAXABLE TRANSACTIONS
For Calendar Years 1992 through 1997
($ in thousands)

	1992	1993	1994	1995	1996	1997
Apparel stores	80.4	76.7	72.3	70.3	68.0	67.8
General merchandise stores	325.4	337.0	350.7	343.8	353.4	392.0
Drug stores	28.1	26.1	24.7	23.2	23.5	*
Food stores	139.0	115.7	114.2	109.6	118.9	124.8
Liquor stores	13.6	12.0	11.1	11.4	9.9	**
Eating and drinking places	161.7	166.0	170.0	174.8	176.2	183.6
Home furnishings and appliances	76.1	69.4	79.2	89.7	81.4	66.5
Building materials and farm implements	128.6	126.9	146.0	149.2	161.2	201.8
Service stations	137.5	132.3	124.8	127.2	141.2	139.7
Automobile dealers and suppliers	325.0	351.5	378.1	389.9	422.7	428.4
Miscellaneous	205.7	200.7	212.8	221.8	242.3	269.8
Total retail outlets	1,621.1	1,614.3	1,683.9	1,710.9	1,798.7	1,874.4
All other outlets	399.6	403.0	440.7	429.7	461.2	497.5
Total all outlets	2,020.7	2,017.3	2,124.6	2,140.6	2,259.9	2,371.9

Source: California State Board of Equalization
*Drug Stores figure is now accounted for in "General Merchandise stores" figure.
**Liquor Stores figure is now accounted for in "Other retail outlets" figure.

Community Facilities

Among the City's cultural institutions and activities are a convention center, a municipal art center, a museum, a library, an auditorium, the opera society and the symphony society. There are three major hospitals in the City: Parkview Community, Riverside Community and Kaiser Permanente, with respective bed capacities of 193, 369 and 215, totaling 777.

Transportation

The City is served by a variety of land and air transportation facilities. Light rail commuter service is provided by Metrolink to Los Angeles and Orange Counties. Interstate bus service is available via Greyhound and local bus service is provided by the Southern California Rapid Transit District and Riverside Transit Agency. Most major trucking firms service the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

Freight rail service to the City is provided by three major transcontinental railroad. The Santa Fe, Southern Pacific and Union Pacific. Amtrak-operated passenger train service is available at San Bernardino, approximately 15 miles north of the City.

Scheduled air transportation is available from the Ontario International Airport, approximately 18 miles to the west. The City-operated Riverside Municipal Airport is a general aviation facility.

The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215, which connects the City to San Diego, San Bernardino and points beyond, and the Pomona Freeway (U.S. Highway 60), an east-west route.

To support transportation improvements, in November 1988 Riverside County voters approved Measure A, a one-half cent sales tax increase. This sales tax will run for 20 years. In 1990, voters of San Bernardino County approved a similar program.

APPENDIX B

SUMMARY OF THE INDENTURES

The following is a summary of certain provisions of the Indentures. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

SERIES 1999A INDENTURE

Definitions

Accreted Value

The term "Accreted Value" means, with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the initial amount thereof and the interest accrued and compounded thereon, as determined in accordance with the provisions of the Supplemental Indenture authorizing issuance of such Bonds, to such date of calculation.

Additional Allowance

The term "Additional Allowance" means, as of the date of calculation, the amount of Tax Revenues which, as shown in a Consultant's Report, are estimated to be receivable by the Agency in the next Fiscal Year as a result of increases in the assessed valuation of taxable property in the Project Area due to either (i) construction which has been completed but has not yet been reflected on the tax roll, or (ii) transfer of ownership or any other interest in real property, which is not then reflected on the tax rolls.

For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Area in the next Fiscal Year is estimated to exceed the assessed valuation of taxable property in the Project Area in the then current Fiscal Year (as evidenced in a written document from an appropriate official of the County) as of the date on which such calculation is made.

Agency

The term "Agency" means the Redevelopment Agency of the City of Riverside, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

Ambac Assurance

The term "Ambac Assurance" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

Annual Debt Service; Average Annual Debt Service; Maximum Annual Debt Service

The term "Annual Debt Service" means, for each Bond Year, the sum of (1) the interest falling due on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial

Bonds are retired as scheduled and that all Outstanding Term Bonds, if any, are redeemed from the Sinking Account, as may be scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) the principal amount of the Outstanding Serial Bonds, if any, maturing by their terms in such Bond Year, and (3) the minimum amount of such Outstanding Term Bonds required to be paid or called and redeemed in such Bond Year.

With respect to Capital Appreciation Bonds, the Accreted Value payment shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bonds.

If any Bonds bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the greater of (a) the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if such 25 Bond Revenue Index is no longer published) or (b) the average variable rate of interest borne by such Bonds during the preceding 36 months or, if such Bonds were not outstanding during all of the preceding 36 months, the highest interest rate borne by variable interest rate debt for which the interest rate is computed by reference to a variable interest rate formula comparable to that utilized for such Bonds.

"Annual Debt Service" shall not include (a) interest on Bonds which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Bonds required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture, provided that (i) projected interest earnings on such amounts, if any, deposited by the Agency in the Interest Account, are sufficient to pay the interest due on such portion of the Bonds so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Tax Revenue coverage and satisfaction of the Reserve Account Requirement, are substantially similar to those for the issuance of Additional Bonds.

The term "Average Annual Debt Service" means the average Annual Debt Service over all Bond Years.

The term "Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

Authorized Investments

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

A. Federal Securities;

B. Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration

- General Services Administration
- U.S. Maritime Administration
- Small business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

C. Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by Ambac Assurance;

D. U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks 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. (Ratings on holding companies are not considered as the rating of the bank.);

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

F. Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

G. Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other

obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

H. General obligations of states with a rating of at least "A2/A" or higher by both Moody's and S&P;

I. Investment agreements approved in writing by Ambac Assurance with notice to S&P; and

J. Other forms of investments (including repurchase agreements) approved in writing by Ambac Assurance with notice to S&P.

The value of the above investments shall be determined as follows:

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

(1) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) As to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(4) As to any investment not specified above: the value thereof established by prior agreement between the Agency, the Trustee and Ambac Assurance.

Bonds, Series 1999A Bonds, Series 1999B Bonds, Additional Bonds, Capital Appreciation Bonds, Serial Bonds, Term Bonds

The term "Bonds" means the Series 1999A Bonds and all Additional Bonds.

The term "Series 1999A Bonds" means the Redevelopment Agency of the City of Riverside, Tax Allocation Bonds, 1999 Series A (University Corridor/Sycamore Canyon Merged Redevelopment Project).

The term "Series 1999B Bonds" means the Redevelopment Agency of the City of Riverside, Subordinate Tax Allocation Bonds, 1999 Series B (University Corridor/Sycamore Canyon Merged Redevelopment Project).

The term "Additional Bonds" means all tax allocation bonds of the Agency authorized and executed pursuant to the Indenture and issued and delivered in accordance with Article IV.

The term "Capital Appreciation Bonds" means any Additional Bonds described as such when issued.

The term "Serial Bonds" means Bonds for which no mandatory sinking account payments are provided.

The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from mandatory sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

Bond Insurance Policy

The term "Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the applicable Bond Insurer and guaranteeing, in whole or in part, the payment of principal of and interest on a Series of Bonds.

Bond Insurer

The term "Bond Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance (other than a Qualified Reserve Account Credit Instrument) obtained by the Agency to insure the payment of principal of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. With respect to the Series 1999A Bonds, the term "Bond Insurer" means Ambac Assurance. For the purposes of this definition, all consents, approvals or actions required by the Bond Insurer shall be unanimous action of all Bond Insurers if there is more than a single Bond Insurer.

Bond Year

The term "Bond Year" means (i) with respect to the initial Bond Year, the period extending from the date the Series 1999 Bonds are originally delivered to August 1, 1999, and (ii) thereafter, each successive twelve month period ending on August 1.

Business Day

The term "Business Day" means a day other than a Saturday, a Sunday or a day on which banks located in the city where the Corporate Trust Office of the Trustee is located are required or authorized to remain closed.

Certificate of the Agency

The term "Certificate of the Agency" means an instrument in writing signed by the Chairman or the Executive Director of the Agency, or by any other officer of the Agency duly authorized by the Agency for that purpose.

City

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

Closing Date

The term "Closing Date" means the date of delivery of a Series of Bonds to the original purchaser thereof.

Code

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

Consultant's Report

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

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of this Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

County

The term "County" means the County of Riverside, California.

Escrow Agent

The term "Escrow Agent" means U.S. Bank Trust National Association.

Escrow Agreement

The term "Escrow Agreement" means the Escrow Deposit and Trust Agreement (1988 and 1991 Bonds) dated as of April 1, 1999, by and between the Agency and the Escrow Agent.

Federal Securities

The term "Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or other evidences of indebtedness secured by the full faith and credit of the United States of America; and also any securities now or hereafter authorized both the interest on and principal of which are guaranteed directly by the full faith and credit of the United States of America, as and to the extent that such securities are eligible for the legal investment of Agency funds.

Final Compounded Amount

The term "Final Compounded Amount" means the Accreted Value of a Capital Appreciation Bond at maturity.

Fiscal Year

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

Housing Fund

The term "Housing Fund" means the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Law and held by the Agency.

Independent Certified Public Accountant

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

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, 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 Financial Consultant

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

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

Independent Redevelopment Consultant

The term "Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax

allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

Information Services

The term "Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or to such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate to the Trustee in writing.

Interest Payment Date

The term "Interest Payment Date" means each February 1 or August 1 on which interest on any Series of Bonds is scheduled to be paid, commencing August 1, 1999.

Law

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

1988 Authority Bonds

The term "1988 Authority Bonds" means the outstanding Riverside Public Financing Authority, 1988 Revenue Bonds, Series A (Airport and Central Industrial Redevelopment Projects).

1991 Authority Bonds

The term "1991 Authority Bonds" means the outstanding Riverside Public Financing Authority, 1991 Revenue Bonds, Series A (Multiple Project Loans).

Outstanding

The term "Outstanding" when used as of any particular time with reference to Bonds, means all Bonds except --

(1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture.

Owner

The term "Owner" means the registered owner of any Outstanding Bond according to the registration books held by the Trustee.

Plan Limitations

The term "Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan.

Project

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

Project Area

The term "Project Area" means the project area described in the Redevelopment Plan, known as University Corridor/Sycamore Canyon Merged Redevelopment Project.

Qualified Reserve Account Credit Instrument

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

Record Date

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

Redevelopment Fund

The term "Redevelopment Fund" means the University Corridor/Sycamore Canyon Merged Redevelopment Project Redevelopment Fund held by the Trustee.

Redevelopment Plan

The term "Redevelopment Plan" means the Redevelopment Plan for the Project Area, adopted and approved as the Official Redevelopment Plan for the Project Area by Ordinance Nos. 6382 and 6383 adopted by the City Council of the City on July 8, 1997, together with all amendments thereof or supplements thereto heretofore or hereafter made in accordance with the Law.

Refunded Bonds

The term "Refunded Bonds" means the portions of the 1988 Authority Bonds and 1991 Authority Bonds to be refunded with proceeds of the Series 1999A Bonds.

Reserve Account Requirement

The term "Reserve Account Requirement" (to be confirmed by the Agency to the Trustee upon the Trustee's request) means, as of any calculation date, with respect to each Series of Bonds, an amount equal to the least of (i) ten percent (10%) of the proceeds (within the meaning of Section 148 of the Code) of that portion of such Series of Bonds Outstanding with respect to which Annual Debt Service is calculated, (ii) 125% of Average Annual Debt Service of such Series or (iii) Maximum Annual Debt Service of such Series.

Securities Depositories

The term "Securities Depositories" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 277-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex-(215) 496-5058; or such other addresses and/or such other securities depositories as the Agency may designate to the Trustee in writing.

Series

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

Sinking Account Installment

The term "Sinking Account Installment" means the amount of money required by or pursuant to this Indenture to be paid by the Agency on any single date toward the retirement of any particular Term Bonds of any particular Series on or prior to their respective stated maturities.

Special Fund

The term "Special Fund" means the University Corridor/Sycamore Canyon Merged Redevelopment Project Special Fund held by the Agency.

Supplemental Indenture

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

Tax Certificate

The term "Tax Certificate" means the Tax Certificate dated the date of the original delivery of each Series of Bonds (except any Series of Bonds which the Agency shall certify to the Trustee is not intended to meet the requirements for tax exemption under the Code) relating to the requirements of certain provisions of the Code, as each such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

Tax Revenues

The term "Tax Revenues" means, for each Fiscal Year, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area (excluding (a) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code; (b) amounts other than amounts required to pay principal or interest or other financing charges with respect to bonds or other obligations issued to increase, improve or preserve the supply of low and moderate income housing within or of benefit to the Project Area deposited by the Agency in the Housing Fund pursuant to Section 33334.2 of the Law, as provided in the Redevelopment Plan; and (c) amounts payable to affected taxing agencies pursuant to the Pass-Through Agreements).

Total Maturity Amount

The term "Total Maturity Amount" means with respect to any Outstanding Bond other than a Capital Appreciation Bond, the aggregate principal amount thereof and, with respect to any Outstanding Capital Appreciation Bond, the Final Compounded Amount thereof.

Written Request of the Agency

The term "Written Request of the Agency" means an instrument in writing signed by the Chairman or the Executive Director of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

Issuance of Additional Bonds

Conditions for the Issuance of Additional Bonds

The Agency may at any time after the issuance and delivery of the Series 1999A Bonds issue Additional Bonds payable from the Tax Revenues and secured by a lien and charge upon the Tax Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the Indenture, but only subject to the following specific conditions:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and shall have been provided for by a Supplemental Indenture duly adopted by the Agency which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the purpose of aiding in financing the Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds or other indebtedness related to the Project, including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount of such Additional Bonds;

(3) The date and the maturity date or dates of such Additional Bonds; provided that (i) Principal and Sinking Account Payment Dates may occur only on Interest Payment Dates, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory Sinking Account Installments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(4) The Interest Payment Dates, which shall be on the same semiannual dates as the Interest Payment Dates for the Series 1999A Bonds; provided, that such Additional Bonds may provide for compounding of interest in lieu of payment of interest on such dates;

(5) The denomination and method of numbering of such Additional Bonds;

(6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount and due date of each mandatory Sinking Account Installment, if any, for such Additional Bonds;

(8) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;

(9) The amount, if any, to be deposited from the proceeds of such Additional Bonds into the Reserve Account; provided that the amount on deposit in the Reserve Account shall be increased at or prior to the time such Additional Bonds become Outstanding to an amount at least equal to

the Reserve Account Requirement on all then Outstanding Bonds and such Additional Bonds, which amount shall be maintained in the Reserve Account;

(10) The form of such Additional Bonds; and

(11) Such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The Tax Revenues based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll preceding the date of the Agency's adoption of the Supplemental Indenture providing for the issuance of such Additional Bonds plus, at the option of the Agency, the Additional Allowance shall be in an amount equal to at least the sum of (1) one hundred twenty-five percent (125%) of Maximum Annual Debt Service and (2) one hundred percent (100%) of maximum annual debt service as defined in the Series 1999B Indenture following the issuance of such Additional Bonds, as evidenced by a Consultant's Report.

(d) Adjusted Tax Revenues shall be in an amount equal to at least one hundred percent (100%) of Maximum Annual Debt Service, as evidenced by a Consultant's Report. Adjusted Tax Revenues shall be calculated as follows:

(i) The total assessed value of property in the Project Area shall be reduced by the assessed value of that property which has the highest assessed value in the Project Area, or by 20%, whichever is greater;

(ii) The assessed value of property in the Project Area for the base year or years applicable to the Project Area shall be subtracted from the reduced assessed value calculated in (i);

(iii) The resulting number from (ii) shall be multiplied by 1%;

(iv) The resulting number from (iii) shall be multiplied by 80%;

(v) The highest annual amount of payments to affected taxing agencies that could occur pursuant to the Pass-Through Agreements over the life of the Bonds, assuming no growth in assessed value in the Project Area, shall be subtracted from the number arrived at in (iv); and

(vi) Any portion of the amounts required to be set aside in the Housing Fund which may lawfully be used to pay debt service on the Bonds shall be added to the number arrived at in (v).

For purposes of calculating Tax Revenues, a tax rate of $1.00 per $100 of assessed valuation shall be assumed.

For the purposes of the issuance of Additional Bonds, Outstanding Bonds shall not include any Bonds the proceeds of which are deposited in an escrow fund held by the Trustee or an escrow agent, provided that: (i) such proceeds shall be invested in Authorized Investments at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Annual Debt Service on the foregoing Bonds; (ii) moneys may be transferred from the escrow fund only if Tax Revenues for the then current Fiscal Year shall be at least equal to 1.25 times Maximum Annual Debt Service on all Outstanding Bonds (exclusive of disqualified Bonds) less a principal amount of

Bonds which is equal to moneys on deposit in the escrow fund after each such transfer; and (iii) Additional Bonds shall be redeemed from moneys remaining on deposit in the escrow fund at the expiration of a specified escrow period.

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

Tax Revenues; Creation of Funds

Pledge of Tax Revenues

All the Tax Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee (except the Rebate Fund), are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Tax Revenues and such other money shall not be used for any other purpose while any of the Bonds remain Outstanding; subject to certain provisions of the Indenture permitting application of Tax Revenues for other purposes under certain terms and conditions. This pledge shall constitute a first lien on the Tax Revenues and such other money for the payment of the Bonds.

Special Fund; Receipt and Deposit of Tax Revenues

The Indenture continues a special fund known as the "University Corridor/Sycamore Canyon Merged Redevelopment Project Special Fund" (the "Special Fund") held by the Agency. The Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt, until such time as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee for such Bond Year, plus the aggregate amounts needed to be set aside by the Series 1999B Trustee under the terms of the Series 1999B Indenture.

A fund is established known as the "University Corridor/Sycamore Canyon Merged Redevelopment Project Debt Service Fund," to be held by the Trustee. On or before the fifth Business Day immediately preceding any Interest Payment Date, the Agency shall withdraw from the Special Fund and deposit with the Trustee the amount of money needed by the Trustee to make the required deposits to the debt service accounts, plus an amount needed to be deposited in the debt service accounts for the Series 1999B Bonds. Upon notice from the Trustee, the Agency shall withdraw from the Special Fund and deposit with the Trustee the amount of money needed to make any required deposit to the Reserve Account.

All Tax Revenues received by the Agency at any time during any Bond Year in excess of the amount required to be transferred to the Trustee during such Bond Year shall be released from the pledge and the Agency may apply such excess Tax Revenues for any lawful purpose of the Agency.

Establishment of Other Funds.

In addition to the Special Fund, two special trust funds have been created, to be held by the Trustee, called the "University Corridor/Sycamore Canyon Merged Redevelopment Project Redevelopment Fund" (the "Redevelopment Fund") and the "University Corridor/Sycamore Canyon Merged Redevelopment Project Expense Fund" (the "Expense Fund").

Redevelopment Fund.

Moneys in the Redevelopment Fund are used for the purpose of aiding in financing the Project (or for making reimbursements to the Agency for such costs theretofore paid by it), including payment of all costs incidental to or connected with such financing. Any balance of money remaining in the Redevelopment Fund after the date of completion of the financing of the Project shall, at the Written Request of the Agency, be transferred by the Trustee to the Agency for deposit in the Special Fund.

Expense Fund.

Moneys in the Expense Fund are used to pay costs and expenses incurred by the Agency in connection with the authorization, issuance and sale of the Bonds. Upon the earlier of the payment in full of such costs and expenses (or the making of adequate provision for the payment thereof, evidenced by a Certificate of the Agency to the Trustee) or 180 days after delivery of the Bonds to the original purchaser, any balance remaining in the Expense Fund is transferred to the Redevelopment Fund.

Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund.

All moneys in the Debt Service Fund are set aside by the Trustee in each Bond Year when and as received in the following special accounts in the following order of priority:

(a) Interest Account. On or before each Interest Payment Date, the Trustee sets aside from the Debt Service Fund and deposits in the Interest Account an amount of money which, together with any previous balance, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next Interest Payment Date. All moneys in the Interest Account are used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each Principal Payment Date, the Trustee sets aside from the Debt Service Fund and deposits in the Principal Account an amount of money which, together with any previous balance, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds on the Principal Payment Date. In the event that there is insufficient money in the Debt Service Fund to make in full all such principal payments and required Sinking Account Installments, then the money available in the Debt Service Fund shall be applied pro rata to the making of such principal payments and Sinking Account Installments in the proportion which all such principal payments and Sinking Account Installments bear to each other.

All moneys in the Principal Account are used and withdrawn by the Trustee solely for the purpose of paying the principal and redemption premium, if any, of the Serial Bonds as they shall become due and payable.

(c) Sinking Account. On or before each Principal Payment Date, the Trustee sets aside from the Debt Service Fund and deposits in the Sinking Account an amount of money equal to the Sinking Account Installment, if any, payable on the Sinking Account Payment Date in such Bond Year. All moneys in the Sinking Account are used by the Trustee to redeem Term Bonds.

(d) Reserve Account. On or before each Interest Payment Date, the Trustee sets aside from the Debt Service Fund and deposits in the Reserve Account an amount of money (or other authorized deposit of security, as contemplated by the following paragraph) as shall be required to restore the balance in the Reserve Account to an amount equal to the Reserve Account Requirement for each Series of Bonds then Outstanding. No deposit need be made in the Reserve Account so long as there shall be on deposit therein an amount equal to the Reserve Account Requirement for each Series of Bonds then Outstanding. The Reserve Account is divided into subaccounts with respect to each Series of Bonds and each subaccount is available only for payment of the Series of Bonds to which it relates. All money in (or available to) the Reserve Account is used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Series of Bonds to which such subaccount relates in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Bonds then Outstanding. So long as the Agency is not in default, any amount in the Reserve Account in excess of the Reserve Account Requirement may, upon Written Request of the Agency, be withdrawn from the Reserve Account by the Trustee and transferred to the Agency. In the event that there shall be insufficient money in the Debt Service Fund to make in full all required deposits to the subaccounts in the Reserve Account, then the money available in the Debt Service Fund shall be applied pro rata to the subaccounts in the proportion which all the Reserve Account Requirements for each Series bear to each other.

(2) With the written consent of the Bond Insurer, the Reserve Account Requirement may be satisfied by crediting to the Reserve Account moneys or a Qualified Reserve Account Credit Instrument or any combination thereof, which in the aggregate makes funds available in the Reserve Account in an amount equal to the Reserve Account Requirement. Upon the deposit with the Trustee of such Qualified Reserve Account Credit Instrument, the Trustee shall release moneys then on hand in the Reserve Account to the Agency, to be used for any lawful purpose relating to the Project Area, in an amount equal to the face amount of the Qualified Reserve Account Credit Instrument.

(e) Surplus. After making the deposits referred to in paragraphs (a) through (d) above in any Bond Year, the Trustee shall transfer any amounts remaining on deposit in the Debt Service Fund to the Series 1999B Trustee to be applied in accordance with the Series 1999B Indenture. These transferred amounts, referred to in the Series 1999B Indenture as "Surplus Tax Revenues," are pledged to the payment of the Series 1999B Bonds.

Investment of Moneys in Funds and Accounts.

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, the Expense Fund (and any account therein), the Redevelopment Fund (and any account therein) or the Rebate Fund are invested by the Trustee only in Authorized Investments. In the absence of instructions the Trustee shall invest in the investments described in clause (f) of the definition of "Authorized Investments." The obligations in which moneys in the Debt Service Fund, the Interest Account, the Principal Account or any Sinking Account are invested shall mature prior to the date on which such moneys are estimated to be required to be paid out. The obligations in which moneys in the Reserve Account are invested shall mature no later than the earlier of (a) five years from the date of purchase by the

Trustee or (b) the final maturity date of the Bonds, with two exceptions. An obligation which may be redeemed at par at the option of the Trustee on the Business Day prior to any Interest Payment Date, or an investment agreement which permits the Trustee to withdraw invested amounts on any Business Day, on no more than five Business Days' notice, without penalty, may have any maturity. Any interest, income or profits from the deposits or investments of all funds (except the Redevelopment Fund, Expense Fund and Rebate Fund) and accounts are deposited in the Debt Service Fund. For purposes of determining the amount on deposit in any fund or account, all Authorized Investments credited to such fund or account shall be valued monthly at the lower of cost or market value (excluding accrued interest and brokerage commissions, if any).

Amounts deposited in the Special Fund may be invested in any obligations in which the Agency may lawfully invest its funds.

Covenants of the Agency

Punctual Payment

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

Against Encumbrances

The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Tax Revenues, except as provided in the Indenture, and will not issue any obligation or security superior to or on a parity with the Bonds payable in whole or in part from the Tax Revenues (other than Additional Bonds).

Extension or Funding of Claims for Interest

In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding claims for interest or in any other manner.

Management and Operation of Properties

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

Payment of Claims

The Agency will pay and discharge 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 upon any funds in the hands of the Trustee, or which might impair the security of the Bonds.

Records and Accounts; Financial and Project Statements

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

The Agency will prepare and file with the Trustee annually as soon as practicable, but in any event not later than 270 days after the close of each Fiscal Year, an audited financial statement in reasonable detail relating to the Tax Revenues and all funds or accounts established pursuant to the Indenture for the preceding Fiscal Year along with the related opinion of an Independent Certified Public Accountant. The Agency will furnish a copy of such audited financial statement to any Owner upon written request and will distribute a reasonable number of copies to investment bankers, security dealers and others interested in the Bonds.

Protection of Security and Rights of Owners

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

Payment of Taxes and Other Charges

The Agency will pay and discharge when due all taxes, service charges, assessments and other governmental charges which may be lawfully imposed upon the Agency or any properties owned or revenues received by the Agency in the Project Area.

Financing the Project

The Agency will commence and complete the financing of the Project in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law.

Taxation of Leased Property

Whenever any property in the Project is redeveloped by the Agency and then is leased out by the Agency, or whenever the Agency leases out any real property in the Project for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property, and the lease shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year are less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law. Such payments shall be treated as Tax Revenues and shall be deposited by the Agency in the Special Fund.

Disposition of Property in Project Area

Except as provided below, the Agency will not authorize the disposition of any real property in the Project Area to anyone which will result in such property becoming exempt from taxation (except for public ownership or use contemplated by the Redevelopment Plan, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such disposition, together with all similar prior dispositions, shall comprise more than ten per cent (10%) of the land in the Project Area. If the Agency proposes to make any such disposition which, together with all similar dispositions, shall comprise more than ten per cent (10%) of the land area, it shall cause to be filed with the Trustee a Consultant's Report on the effect of such proposed disposition. If the Consultant's Report concludes that the Tax Revenues will not be materially reduced by the proposed disposition, the Agency may proceed with it. If the Consultant's Report concludes that Tax Revenues will be materially reduced, however, the Agency shall not proceed with the proposed disposition unless the Agency requires the new owner or owners either to:

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

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

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

Amendment of Redevelopment Plan

If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee a Consultant's Report on the effect of the proposed amendment. Unless the Consultant's Report concludes that Tax Revenues will not be materially reduced by the proposed amendment, the Agency may not approve it.

Tax Revenues

The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including the timely filing of any necessary statements of indebtedness with appropriate officials of Riverside County.

Further Assurances

The Agency shall adopt, make, execute and deliver any further indentures, instruments and assurances as may be needed to carry out the intention or to facilitate the performance of the Indenture.

Tax Covenants; Rebate Fund

The Trustee shall establish and maintain with respect to each Series of Bonds (other than any Series of Bonds exempt from the requirements of Section 148 of the Code related to rebate of arbitrage earnings) a fund separate from any other fund or account designated as the "Series ____ Rebate Fund." Upon the written direction of the Agency, there shall be deposited in the Rebate Fund such amounts as are required pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions relating to the pledge of Tax Revenues, the allocation of money in the Special Fund, the investments of money in any fund or account and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this covenant and by the Tax Certificate. The Trustee shall be deemed conclusively to have complied with such provisions if it follows the Written Request of the Agency, and shall have no liability or responsibility to enforce compliance by the Agency with the terms of the Tax Certificate.

The Agency shall not use or permit the use of any proceeds of Bonds or any funds of the Agency, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code of "federally guaranteed" within the meaning of Section 149(b) of the Code and any applicable requirements promulgated from time to time under that Section and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Agency shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Agency shall comply with all requirements of Sections 148 and 149(d) of the Code to the extent applicable to the Bonds.

The Agency shall not use or permit the use of any proceeds of the Bonds or any funds of the Agency, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

The foregoing covenant shall not apply to any taxable Series of Bonds.

Agreements with Taxing Agencies

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

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

Housing Fund.

The Agency shall use the moneys in the Housing Fund in accordance with the Law, and disburse, expend or encumber any "excess surplus" (as defined in the Law) in the Housing Fund at such times and in such manner that the Agency will not be subject to sanctions pursuant to the Law.

Continuing Disclosure.

The Agency shall provide the annual financial information and operating data and notices of material events that are required by SEC Rule 15c2-12(b)(5), in accordance with a Continuing Disclosure Certificate to be executed and delivered by the Agency upon delivery of a Series of Bonds to the original purchaser thereof.

Amendment of the Indenture

Amendment by Consent of Owners

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

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

(a) To add other covenants and agreements to the Indenture, or to surrender any right or power reserved to or conferred upon the Agency;

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

(c) To provide for the issuance of Additional Bonds, and to provide the terms and conditions under which the Additional Bonds may be issued;

(d) To modify, amend or supplement the Indenture to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute, and which shall not materially adversely affect the interests of the Owners;

(e) To maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes (except with respect to taxable Bonds);

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

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

Disqualified Bonds

Bonds owned or held by or for the account of the Agency or the City are not deemed Outstanding for the purpose of any consent or other action provided for in the Indenture.

Events of Default and Remedies of Owners

Events of Default and Acceleration of Maturities

The following are "Events of Default":

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when due and payable, whether at maturity, by declaration or otherwise;

(b) Default in the due and punctual payment of the interest on any Bond when due and payable;

(c) Default by the Agency in the observance of any of its agreements or covenants, if the default shall have continued for a period of 60 days after the Agency shall have been given notice in writing by the Trustee (unless the Agency commences to cure the default within the 60-day period and thereafter diligently and in good faith proceeds to cure the default within a reasonable period of time); or

(d) Filing by the Agency 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 approval by a court of competent jurisdiction of a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or the assuming, under the provisions of any other law for the relief or aid of debtors, by any court of competent jurisdiction of custody or control of the Agency of the whole or any substantial part of its property.

In each case during the continuance of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, shall, by notice in writing to the Agency, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon this declaration those amounts shall become immediately due and payable, subject to the prior written consent of the Bond Insurer.

If, at any time after the principal of the Bonds shall have been declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on the overdue installments of principal and interest, and the expenses of the Trustee, and any and all other defaults known to the Trustee shall have been made good or cured to the satisfaction of the Trustee, then, and in every case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may rescind and annul such declaration and its consequences. However, no such rescission or annulment shall occur without the prior written consent of the Bond Insurer. No rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any related right or remedy.

Application of Funds Upon Acceleration

All money in the funds and accounts provided for in the Indenture (other than the Rebate Fund) upon the date of the declaration of acceleration by the Trustee, and all Tax Revenues thereafter received by the Agency, shall be transmitted to the Trustee and shall be applied by the Trustee in the following order:

First, to the payment of the costs and expenses of the Trustee and thereafter to the payment of the costs and expenses of the Owners in providing for the declaration of such Event of Default, including reasonable compensation to their agents and counsel;

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

Other Remedies of Owners

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

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

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

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

Non-Waiver

None of the foregoing provisions shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the Owners at the respective dates of maturity out of the Tax Revenues, or affect or impair the right of action, which is also absolute and unconditional, of Owners to institute suit to enforce payment by virtue of the contract embodied in the Bonds and in the Indenture.

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

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

Actions by Trustee as Attorney-in-Fact

Any suit, action or proceeding which any Owner may bring to enforce any right or remedy may be brought by the Trustee for the equal benefit and protection of all Owners, and the Trustee is appointed the attorney-in-fact of the Owners for the purpose of bringing any such suit, action or proceeding and to perform any acts on behalf of the Owners. The Trustee shall have no duty or obligation to enforce any right or remedy unless it has been indemnified by the Owners from any liability or expense.

Remedies Not Exclusive

No remedy conferred upon the Owners is intended to be exclusive of any other remedy. Every remedy shall be cumulative and shall be in addition to every other remedy given at law or in equity or by statute or otherwise.

Owners' Direction of Proceedings

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

Limitation on Owners' Right to Sue

No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Law or any other applicable law, unless (1) the Owner shall have given to the Trustee written notice of the occurrence

of an Event of Default; (2) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the remedial powers reserved to the Owners or to institute suit, action or proceeding in its own name; (3) the Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with the request; (4) the Trustee shall have refused or omitted to comply with the request for a period of sixty (60) days; and (5) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Defeasance

Discharge of Indebtedness

If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of Tax Revenues, and all covenants, agreements and other obligations of the Agency to the Owners of such Bonds under the Indenture shall cease. In that event, the Trustee shall execute and deliver to the Agency instruments to evidence such discharge and satisfaction and, after payment of amounts due the Trustee, shall pay over to the Agency all money or securities held by the Trustee which are not required for the payment of the interest due on and the principal of such Bonds other than the moneys, if any, in the Rebate Fund.

Bonds for the payment of which money shall have been set aside to be held in trust by the Trustee for payment at the maturity or redemption date shall be deemed, as of the date of such setting aside, to have been paid.

Any Outstanding Bonds shall prior to the maturity date thereof be deemed to have been paid only if there shall have been deposited with the Trustee, or another fiduciary or escrow agent, either money in an amount which shall be sufficient, or Federal Securities the principal of and the interest on which when paid will provide money which shall be sufficient to pay when due the interest due and to become due on such Bonds on and prior to the maturity date or earlier redemption date, and the principal of and redemption premium, if any. In addition, the Agency shall have given the Trustee irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the required deposit has been made and that the Bonds are deemed to have been paid and stating the maturity date or earlier redemption date upon which money is to be available for payment.

Miscellaneous

Liability of Agency Limited to Tax Revenues

The Bonds are limited obligations of the Agency and are payable, as to interest and principal, exclusively from the Tax Revenues. The Agency is not obligated to pay them except from the Tax Revenues. The Tax Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Bonds. The Bonds are not a debt of the City of Riverside, the State of California or any of its political subdivisions. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Bond Insurance

The Indenture sets forth procedures for payment under the Bond Insurance Policy and certain rights of Ambac Assurance, including the right to direct all remedies following an Event of Default.

SERIES 1999B INDENTURE

Definitions

Except as indicated below, and except for the elimination of references to Ambac Assurance, the definitions set forth in the preceding summary of the Series 1999A Indenture generally apply to the Series 1999B Indenture as well.

Authorized Investments

In addition to the investments authorized under the Series 1999A Indenture, the Series 1999B Indenture permits investment in senior debt obligations of Federal Farm Credit Banks and in the Local Agency Investment Fund administered by the State Treasurer.

Adjusted Tax Revenues

The term "Adjusted Tax Revenues" means Tax Revenues less the highest annual amount of payments to affected taxing agencies that could occur pursuant to the Pass-Through Agreements over the life of the Bonds, assuming no growth in assessed value in the Project Area.

Bonds, Senior Bonds, Series 1999B Bonds, Additional Bonds, Capital Appreciation Bonds, Serial Bonds, Term Bonds

The term "Bonds" means the Series 1999B Bonds and all Additional Bonds.

The term "Senior Bonds" means the Redevelopment Agency of the City of Riverside, Tax Allocation Bonds, 1999 Series A (University Corridor/Sycamore Canyon Merged Redevelopment Project) and any bonds issued on a parity therewith pursuant to the Series 1999A Indenture.

The term "Series 1999B Bonds" means the Redevelopment Agency of the City of Riverside, Subordinate Tax Allocation Bonds, 1999 Series B (University Corridor/Sycamore Canyon Merged Redevelopment Project).

The term "Additional Bonds" means all tax allocation bonds of the Agency authorized and executed pursuant to the Indenture and issued and delivered in accordance with Article IV.

The term "Capital Appreciation Bonds" means any Additional Bonds described as such when issued.

The term "Serial Bonds" means Bonds for which no mandatory sinking account payments are provided.

The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from mandatory sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

Bond Year

The term "Bond Year" means (i) with respect to the initial Bond Year, the period extending from the date the Series 1999B Bonds are originally delivered to March 1, 2000 and (ii) thereafter, each successive twelve month period ending on March 1.

Surplus Tax Revenues

The term "Surplus Tax Revenues" means all amounts which are paid to the Series 1999B Trustee by the Series 1999A Trustee pursuant to the Series 1999A Indenture.

Issuance of Additional Bonds

Conditions for the Issuance of Additional Bonds

The Agency may at any time after the issuance and delivery of the Series 1999B Bonds issue Additional Bonds payable from the Tax Revenues and secured by a lien and charge upon the Tax Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the Indenture, but only subject to the following specific conditions:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and shall have been provided for by a Supplemental Indenture duly adopted by the Agency which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the purpose of aiding in financing the Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds or other indebtedness related to the Project, including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount of such Additional Bonds;

(3) The date and the maturity date or dates of such Additional Bonds; provided that (i) Principal and Sinking Account Payment Dates may occur only on Interest Payment Dates, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory Sinking Account Installments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(4) The Interest Payment Dates, which shall be on the same semiannual dates as the Interest Payment Dates for the Series 1999B Bonds; provided, that such Additional Bonds may provide for compounding of interest in lieu of payment of interest on such dates;

(5) The denomination and method of numbering of such Additional Bonds;

(6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount and due date of each mandatory Sinking Account Installment, if any, for such Additional Bonds;

(8) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;

(9) The amount, if any, to be deposited from the proceeds of such Additional Bonds into the Reserve Account; provided that the amount on deposit in the Reserve Account shall be increased at or prior to the time such Additional Bonds become Outstanding to an amount at least equal to the Reserve Account Requirement on all then Outstanding Bonds and such Additional Bonds, which amount shall be maintained in the Reserve Account;

(10) The form of such Additional Bonds; and

(11) Such other provisions as are necessary or appropriate and not inconsistent with the Series 1999B Indenture.

(c) Adjusted Tax Revenues based upon the assessed valuation of taxable property in the Project Area as shown on the most recently equalized assessment roll preceding the date of the Agency's adoption of the Supplemental Indenture providing for the issuance of such Additional Bonds plus, at the option of the Agency, the Additional Allowance shall be in an amount equal to at least one hundred five percent (105%) of Maximum Annual Debt Service, plus one hundred percent (100%) of maximum annual debt service as defined in the Series 1999A Indenture, as evidenced by a Consultant's Report.

For purposes of calculating Tax Revenues, the Agency shall assume (i) a tax rate of $1.00 per $100 of assessed valuation and (ii) the highest amount of payments to affected taxing agencies that could occur pursuant to the Pass-Through Agreements over the life of the Bonds.

For purposes of this subsection (c), the amount of Tax Revenues will be the amount received in the most recent Fiscal Year (which may be the current Fiscal Year) for which records are available from the County establishing the assessed valuations of property in the Project Area.

For the purposes of the issuance of Additional Bonds, Outstanding Bonds shall not include any Bonds the proceeds of which are deposited in an escrow fund held by the Trustee or an escrow agent, provided that the Supplemental Indenture authorizing issuance of such Additional Bonds shall provide that: (i) such proceeds shall be invested in Authorized Investments at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Annual Debt Service on the foregoing Bonds; (ii) moneys may be transferred from said escrow fund only if Adjusted Tax Revenues for the then current Fiscal Year shall be at least equal to 1.05 times Maximum Annual Debt Service on all Outstanding Bonds (exclusive of disqualified Bonds described in Section 8.02) plus maximum annual debt service as defined in the Series 1999A Indenture less a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and (iii) Additional Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

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

Surplus Tax Revenues; Creation of Funds

Pledge of Surplus Tax Revenues

All the Surplus Tax Revenues and all money in the Debt Service Fund and in the funds or accounts so specified and provided for in the Series 1999B Indenture, whether held by the Agency or the Trustee (except the Rebate Fund), are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Surplus Tax Revenues and such other money shall not be used for any other purpose while any of the Bonds remain Outstanding; subject to certain provisions of the Series 1999B Indenture permitting application of Surplus Tax Revenues for other purposes under certain terms and conditions. This pledge shall constitute a first lien on the Surplus Tax Revenues and such other money for the payment of the Bonds.

Debt Service Fund

A fund is established known as the "University Corridor/Sycamore Canyon Merged Redevelopment Project Subordinate Tax Allocation Bonds Debt Service Fund," to be held by the Trustee. The Trustee shall deposit all Surplus Tax Revenues in the Debt Service Fund, to be allocated among subaccounts as described below.

Establishment and Maintenance of Accounts for Use of Moneys in the Debt Service Fund.

All moneys in the Debt Service Fund are set aside by the Trustee in each Bond Year when and as received in the following special accounts in the following order of priority:

(a) Interest Account. On or before each Interest Payment Date, the Trustee sets aside from the Debt Service Fund and deposits in the Interest Account an amount of money which, together with any previous balance, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next Interest Payment Date. All moneys in the Interest Account are used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each Principal Payment Date, the Trustee sets aside from the Debt Service Fund and deposits in the Principal Account an amount of money which, together with any previous balance, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds on the Principal Payment Date. In the event that there is insufficient money in the Debt Service Fund to make in full all such principal payments and required Sinking Account

Installments, then the money available in the Debt Service Fund shall be applied pro rata to the making of such principal payments and Sinking Account Installments in the proportion which all such principal payments and Sinking Account Installments bear to each other.

All moneys in the Principal Account are used and withdrawn by the Trustee solely for the purpose of paying the principal and redemption premium, if any, of the Serial Bonds as they shall become due and payable.

(c) Sinking Account. On or before each Principal Payment Date, the Trustee sets aside from the Debt Service Fund and deposits in the Sinking Account an amount of money equal to the Sinking Account Installment, if any, payable on the Sinking Account Payment Date in such Bond Year. All moneys in the Sinking Account are used by the Trustee to redeem Term Bonds.

(d) Reserve Account. On or before each Interest Payment Date, the Trustee sets aside from the Debt Service Fund and deposits in the Reserve Account an amount of money (or other authorized deposit of security, as contemplated by the following paragraph) as shall be required to restore the balance in the Reserve Account to an amount equal to the Reserve Account Requirement for each Series of Bonds then Outstanding. No deposit need be made in the Reserve Account so long as there shall be on deposit therein an amount equal to the Reserve Account Requirement for each Series of Bonds then Outstanding. The Reserve Account is divided into subaccounts with respect to each Series of Bonds and each subaccount is available only for payment of the Series of Bonds to which it relates. All money in (or available to) the Reserve Account is used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Series of Bonds to which such subaccount relates in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Bonds then Outstanding. So long as the Agency is not in default, any amount in the Reserve Account in excess of the Reserve Account Requirement may, upon Written Request of the Agency, be withdrawn from the Reserve Account by the Trustee and transferred to the Agency. In the event that there shall be insufficient money in the Debt Service Fund to make in full all required deposits to the subaccounts in the Reserve Account, then the money available in the Debt Service Fund shall be applied pro rata to the subaccounts in the proportion which all the Reserve Account Requirements for each Series bear to each other.

The Reserve Account Requirement may be satisfied by crediting to the Reserve Account moneys or a Qualified Reserve Account Credit Instrument or any combination thereof, which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Account Requirement. Upon the deposit with the Trustee of such Qualified Reserve Account Credit Instrument, the Trustee shall release moneys then on hand in the Reserve Account to the Agency, to be used for any lawful purpose relating to the Project Area, in an amount equal to the face amount of the Qualified Reserve Account Credit Instrument.

(e) Surplus. After making the deposits referred to in paragraphs (a) through (d) above in any Bond Year, the Trustee shall transfer any amount remaining on deposit in the Debt Service Fund to the Agency to be used for any lawful purpose of the Agency.

Establishment of Other Funds; Redevelopment Fund; Expense Fund.

These funds are described in the preceding summary of the Series 1999A Indenture.

Investment of Moneys in Funds and Accounts.

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, the Expense Fund (and any account therein), the Redevelopment Fund (and any account therein) or the Rebate Fund are invested by the Trustee only in Authorized Investments. In the absence of instructions the Trustee shall invest in the investments described in clause (f) of the definition of "Authorized Investments." The obligations in which moneys in the Debt Service Fund, the Interest Account, the Principal Account or any Sinking Account are invested shall mature prior to the date on which such moneys are estimated to be required to be paid out. The obligations in which moneys in the Reserve Account are invested shall mature no later than the earlier of (a) five years from the date of purchase by the Trustee or (b) the final maturity date of the Bonds, with two exceptions. An obligation which may be redeemed at par at the option of the Trustee on the Business Day prior to any Interest Payment Date, or an investment agreement which permits the Trustee to withdraw invested amounts on any Business Day, on no more than five Business Days' notice, without penalty, may have any maturity. Any interest, income or profits from the deposits or investments of all funds (except the Redevelopment Fund, Expense Fund and Rebate Fund) and accounts are deposited in the Debt Service Fund. For purposes of determining the amount on deposit in any fund or account, all Authorized Investments credited to such fund or account shall be valued monthly at the lower of cost or market value (excluding accrued interest and brokerage commissions, if any).

Covenants of the Agency

All of the covenants described in the preceding summary of the Series 1999A Indenture are repeated in the Series 1999B Indenture for the benefit of the Owners of Series 1999B Bonds.

Amendment of the Indenture; Events of Default and Remedies of Owners; Defeasance

Provisions relating to these matters are substantially the same in both Indentures. See the description contained in the summary of the Series 1999A Indenture.

Miscellaneous

Liability of Agency Limited to Surplus Tax Revenues

The Bonds are limited obligations of the Agency and are payable, as to interest and principal, exclusively from the Surplus Tax Revenues. The Agency is not obligated to pay them except from the Surplus Tax Revenues. The Surplus Tax Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Bonds. The Bonds are not a debt of the City of Riverside, the State of California or any of its political subdivisions. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Series 1999B Bonds Not Insured

The Series 1999B Bonds are not insured by Ambac Assurance or any other municipal bond insurer.

APPENDIX C

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 1998

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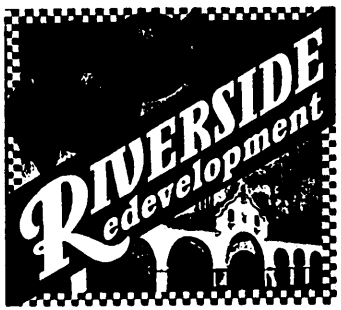
Redevelopment Agency of the City of Riverside, California

General Purpose Financial Statements
For Fiscal Year Ended June 30, 1998



Prepared by the Development Department
Chester Yoshizaki, Development Director
3900 Main Street, 5th Floor, Riverside, California, 92522

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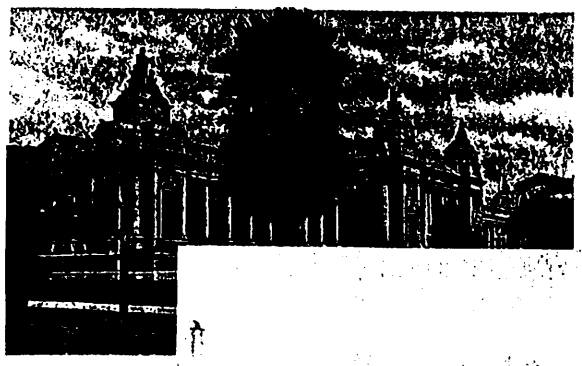
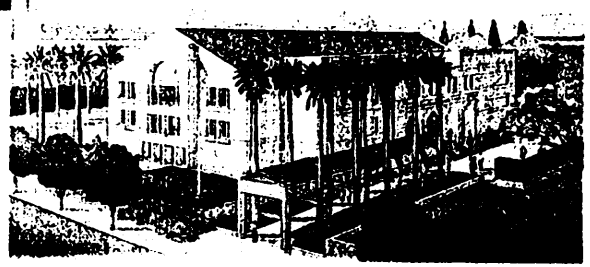
Redevelopment Agency of the City of Riverside

Bright New Beginnings, Preserving the Past





November 10, 1998

To the Citizens of the City of Riverside:

In Riverside, one of the key sources of public enterprise for a healthy city and vibrant economy is the City of Riverside Redevelopment Agency. Pursuant to state law and the California Constitution, the City Council established the Redevelopment Agency in November, 1969, to help revitalize and redevelop critical areas throughout the city. The seven councilmembers serve as the Agency's Board and the City's Development Department provides the administrative staff which oversees and carries out the Agency's redevelopment activities.

Since 1971, the Redevelopment Agency has been engaged in various economic programs and projects to improve these areas in the city by encouraging quality new development and revitalization of existing properties.

The Redevelopment Agency Board sets policy and development priorities for six project areas which comprise approximately 15% of the land area of the city. The project areas are: Arlington, Casa Blanca, Eastside, Downtown/Airport, University Corridor/Sycamore Canyon, and Magnolia Center.

Since its formation, the Redevelopment Agency has been a key participant in many of the City's most challenging economic development efforts. The Agency has embarked on many projects, remarkable not only for their quantity, but also for their quality, diversity and enormous impact on the citizens, businesses and neighborhoods of Riverside.

Redevelopment has been a positive force for change in our community. Eliminating economic and social blight in our community requires a concerted effort. Together with residents and private businesses, the Redevelopment Agency works to develop, rebuild and rehabilitate Riverside neighborhoods, including commercial, industrial and residential property.

The Agency contributes to the City's quality of life by supporting cultural and recreational opportunities, such as the highly popular Orange Blossom Festival.

Blight can be physical, economic or social. It often takes the form of deteriorating buildings and poorly built housing. However, it can also refer to underutilized land, incompatible development or overcrowding. If nothing is done to stop it, blight tends to grow, fostering social problems such as unemployment and crime. Redevelopment breaks this downward spiral by encouraging quality development projects which add to the tax base and encourage new employment opportunities. The projects are often the cornerstone for further private activities.

"Riverside offers its residents a variety of cultural, educational, and economic opportunities. A world class city, Riverside is remarkable for its family friendly environment."

—Ron Loveridge, Mayor

Improving neighborhoods across the city. Virtually every part of Riverside has been touched by the Redevelopment Agency's projects. These projects are remarkably diverse, including single- and multi-family residential, commercial, institutional, industrial, governmental, community & recreational and distribution.

Promoting quality of life. Redevelopment is more than just construction. The Agency also contributes to the City's quality of life by commiting funding and human resources to cultural and recreational opportunities, such as the highly popular Orange Blossom Festival and Riverside Wednesday Night. It supports public art, arts groups and cultural events and works to attract restaurants, movie theaters and other entertainment providers to the City. Neighborhood health clinics, community centers and libraries are key components assisted by redevelopment.

Preserving Riverside's rich heritage. Riverside has regularly addressed the preservation and restoration of our landmark architecture and historic landscapes, both commercial and residential. The Agency assisted in the restoration of the Loring Building and the Mission Inn, a National Historic Landmark and one of the largest historic rehabilitation projects in the country. It is also a major sponsor of the Orange Blossom Festival, a highly popular two-day event celebrating Riverside's citrus heritage. The Agency assisted the Royal Citrus Company in consolidating their packing operations in Riverside. Now the largest independent packing house in the country, the company employs approximately 800 people at the site.

Making Riverside the "Downtown of the Inland Empire." Riverside occupies the geographic center of the Inland Empire—a region of Southern California with a population equal to the state of Oregon, and an economy comparable to the state of Kansas. As this region's historic urban center, Riverside is now staking its claim as the Justice Center of the Inland Empire. Continuing the tradition of judicial dignity set forth by the historic Riverside County Courthouse, the Agency provided a new home for a U.S. Bankruptcy Court in downtown Riverside. Riverside County's Family Law Court was completed in 1998.

One of the major physical improvements to the downtown are the Main Street Mall improvements. The section between Mission Inn Avenue and 10th Street boasts a pedestrian-friendly design as well as outdoor dining opportunities. New benches, seating, planters, and landscaping, as well as the popular Cloud Fountain and a children's museum, complement the

University of California Museum of Photography. The new mall design also allows horse trolleys and carriages to meander through the mall.

Establishing High Standards for Design and Quality. The Redevelopment Agency's projects have been consistent winners of awards from local, state and national organizations. Among the Agency's recognized achievements have been innovative urban planning and redevelopment solutions, graphics and signage, architecture and landscape design.

The Redevelopment Agency continues to welcome new businesses and investors to the community each year as it seeks to attract new jobs, facilities and economic opportunities for the citizens of Riverside.

Recent Agency Endeavors

University Village and University Avenue Streetscape

University Village, an urban retail, entertainment and office center adjacent to the University of California, Riverside. During the day, part of the 10-screen movie theater complex serves as classroom space for the university, which also leases office space. The village atmosphere of the complex provides outdoor dining and special event entertainment.

University Village, with construction of phase 2 of the project beginning this year, features retail stores, restaurants, office space and a theater in a pedestrian-friendly setting. It transformed a once-vacant corner into a hot-spot of day and nighttime activity.

The Redevelopment Agency has a multifold commitment to University Village. The Agency was instrumental in the complex land assembly, in partnership with Southland Land Corporation, an award- winning Southern California developer, and the University of California, Riverside.

The Agency finished a $3.4 million streetscape project on University Avenue, the link between Downtown, UCR and University Village. The Orange Blossom Express trolleys provide transportation service between the sites.

Riverside Marketplace

Started in the early 1990s, this development, next to the city's historic core, provides new retail, entertainment, and dining opportunities to Riverside residents and visitors. The 52-acre mixed-use redevelopment project, fronting the 91 Freeway, is now attracting major tenants to complement its theaters and restaurants. Several historical buildings within the Marketplace are available for retrofitting in the manner of the Old Spaghetti Factory, which located its restaurant in a historic packing house. A Metrolink Station links Riverside to Los Angeles and Orange counties, while the historically themed Orange Blossom Express trolley takes visitors, students, and residents from the Marketplace to Downtown's Mission Inn District and Justice Center, and to the University of California.

"Riverside's success in attracting new firms and institutions, as well as retaining existing ones, is a vote of confidence in our city's business-friendly approach to developement."

--Robert Wales, Assistant City Manager

Current Agency Endeavors

Mission Village Revitalization Project

Easily the most exciting and far-reaching project of the Agency is now underway—the Mission Village project, a comprehensive community plan to revitalize key residential and commercial areas in Riverside's Downtown. Encompassing diverse projects stretching from the 60 Freeway south to Pine Center, the Mission Village Revitalization Project will bring much needed housing, shopping and entertainment opportunities to the area. Some of the specific projects include mixed-use developments, a new downtown

Mission Village's proposed mixed-use project reflects the spirit of the oldest downtown arrangements, where urban residents live above street-level commercial establishments. The project includes an arcade that echoes the architecture of the neighboring Fox Theater.

supermarket, and both new and rehabilitated retail and residential structures. The historic Fox Theater will be the cornerstone for a new entertainment complex. With a new anti-loitering design, White Park will once again be a welcome green oasis in Riverside's newest urban center. All of these will be serviced by enhanced transportation connections. New housing opportunities will be readily available for many residents, thanks to a down payment assistance program.

Magnolia Center Project Area

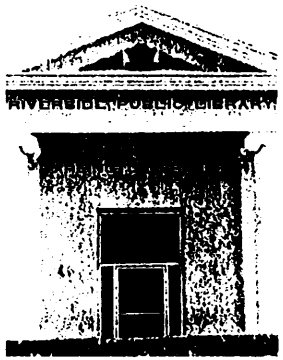
In response to requests by residents and businesses, the Agency has created a new redevelopment project in the Magnolia Center area. The boundaries for this project area total approximately 500 acres and generally follow the major commercial streets in the Magnolia Center area.

The Magnolia Center area has experienced significant decline in the past several years. Property values are down, sales tax generation has declined substantially (in excess of 25%) and the commercial vacancy rate has climbed. Additionally, many buildings are dated and in need of major rehabilitation and infrastructure improvements. This physical and economic downturn culminated with the foreclosure of the Riverside Plaza. The decline of the commercial core has impacted the surrounding residential neighborhoods. It is imperative that this decline be reversed if these otherwise stable neighborhoods are to remain sound.

Redevelopment is seen as a tool to help combat the problems facing this area. Magnolia Center will be a relatively modest project area with a focus on business retention and expansion as well as the provision of infrastructure improvements. The plan was adopted in July, 1998.

Arlington Project Area Expansion

The existing Arlington Project Area is very small and does not generate enough tax increment revenue to achieve the economic and physical improvement goals for the area. Just outside the existing project area boundaries, the County of Riverside closed Riverside General Hospital in the spring of 1998, adding to the decline of the surrounding area. Public meetings are being held to expand the Arlington Project Area to about 1,000 acres including the Riverside General Hospital site. If successful, the project area expansion will occur early in 1999.



As Southern Californial stands on the brink of economic recovery, Riverside's Redevelopment Agency is also ready to meet these new challenges. The agency continues to seek development opportunities by finding innovative ways to finance challenging projects and programs and encourage private investment.

In closing, without the leadership and support of the Agency Board and its Development Committee, preparation of this report would not have been possible.

Sincerely,

Robert C. Wales
Executive Director

Chester Yoshizaki
Development Director

Redevelopment Agency Board

Ronald O. Loveridge	Mayor
Chuck Beaty	Councilman—Ward 1
Ameal Moore	Councilman—Ward 2
Joy Defenbaugh	Councilwoman—Ward 3
Maureen Kane	Councilwoman—Ward 4
Alex Clifford	Councilman—Ward 5
Terri Thompson	Councilwoman—Ward 6, Chair of Redevelopment Agency Board
Laura Pearson	Councilwoman—Ward 7

Agency Officials

Robert C. Wales	Executive Director and Agency Secretary
Jerry Rogers	Agency Treasurer
Chester Yoshizaki	Development Director
Donna L. Anderson	Assistant Executive Director
Conrad Guzkowski	Senior Project Manager
Wendy Holland-Arbache	Project Manager
Maurice Oliva	Assistant Project Manager
Carol Britton	Administrative Services Manager

KPMG Peat Marwick LLP

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Costa Mesa, CA 92626

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INDEPENDENT AUDITORS' REPORT

The Honorable Board of Directors
Redevelopment Agency of the City of Riverside:

We have audited the general purpose financial statements of the Redevelopment Agency of the City of Riverside, California, (the Agency) as of and for the year ended June 30, 1998, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Redevelopment Agency of the City of Riverside, as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 1 to the financial statements, the Agency adopted the provisions of the Governmental Accounting Standards Board Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," and Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," in 1998.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and individual account group schedules, listed in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Redevelopment Agency of the City of Riverside. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

October 30, 1998

KPMG Peat Marwick LLP

Member Firm of
KPMG International

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1998
(With comparative totals at June 30, 1997)

(in thousands)

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
Assets and Other Debits	Special Revenue	Debt Service	Capital Projects	General Fixed Assets	General Long-term Obligations	1998	1997
Cash and investments	$1,159	$3,365	$9,115	$0	$0	$13,639	$11,427
Restricted assets - cash and investments at fiscal agent	38	5,591	4,677	0	0	10,306	14,602
Interest receivable	17	37	81	0	0	135	157
Taxes receivable	0	0	0	0	0	0	20
Accounts receivable, net	3	0	134	0	0	137	32
Intergovernmental receivables	0	55	133	0	0	188	0
Rehabilitation loans receivable	3,587	0	4,506	0	0	8,093	7,679
Capital lease receivable	0	29,020	0	0	0	29,020	29,115
Due from other funds	0	0	521	0	0	521	1,491
Prepaid items	7	365	1	0	0	373	0
Advances to the City	0	232	195	0	0	427	474
Land and improvements held for resale	2,044	0	1,660	0	0	3,704	19,288
Land	0	0	0	1,180	0	1,180	1,180
Equipment	0	0	0	444	0	444	367
Amount available in debt service fund	0	0	0	0	9,408	9,408	7,578
Amount to be provided for retirement of general long-term obligations	0	0	0	0	106,357	106,357	124,289
Total Assets and Other Debits	$6,855	$38,665	$21,023	$1,624	$115,765	$183,932	$217,699

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1998
(With comparative totals at June 30, 1997)

continued
(in thousands)

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
Liabilities, Equity and Other Credits	Special Revenue	Debt Service	Capital Projects	General Fixed Assets	General Long-term Obligations	1998	1997
Liabilities:							
Accounts payable	$23	$5	$1,603	$0	$0	$1,631	$1,838
Accrued liabilities	0	0	13	0	0	13	9
Compensated absences payable	0	0	10	0	172	182	232
Retainage payable	0	0	16	0	0	16	754
Deferred revenues	3,135	29,052	3,764	0	0	35,951	35,796
Deposits	0	0	137	0	0	137	76
Due to other funds	484	0	37	0	0	521	1,491
Advances from the City	0	0	0	0	10,248	10,248	24,399
Notes payable	0	0	0	0	9,571	9,571	10,202
Tax allocation bonds payable	0	0	0	0	57,124	57,124	58,095
Revenue bonds payable	0	0	0	0	38,650	38,650	38,950
Total Liabilities	3,642	29,057	5,580	0	115,765	154,044	171,842
Equity and Other Credits:							
Investment in general fixed assets	0	0	0	1,624	0	1,624	1,547
Fund Balances:							
Reserved for encumbrances	82	0	574	0	0	656	2,262
Reserved for advances to the City	0	200	26	0	0	226	244
Reserved for debt service	0	9,408	0	0	0	9,408	7,578
Reserved for loans receivable	454	0	988	0	0	1,442	1,297
Reserved for prepaid items	7	0	1	0	0	8	0
Reserved for land and improvements held for resale	2,044	0	1,660	0	0	3,704	19,288
Unreserved, designated for future operations	611	0	8,756	0	0	9,367	7,731
Unreserved, undesignated	15	0	3,438	0	0	3,453	5,910
Total Equity and Other Credits	3,213	9,608	15,443	1,624	0	29,888	45,857
Total Liabilities, Equity and Other Credits	$6,855	$38,665	$21,023	$1,624	$115,765	$183,932	$217,699

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 1998
(With comparative totals for the fiscal year ended June 30, 1997)

(In thousands)

	Governmental Fund Types			Totals (Memorandum Only)	
	Special Revenue	Debt Service	Capital Projects	1998	1997
Revenues:					
Tax increment	$2,236	$8,943	$0	$11,179	$11,160
Interest	134	613	925	1,672	1,907
Intergovernmental	0	435	134	569	695
Miscellaneous	75	2,075	3,367	5,517	3,968
Total Revenues	2,445	12,066	4,426	18,937	17,730
Expenditures:					
Current:					
Salaries and administrative	1,089	20	2,572	3,681	3,482
Professional services	403	148	808	1,359	1,840
Property acquisitions	2	0	159	161	23
Relocation costs	322	0	0	322	1,073
Project improvement	514	0	3,969	4,483	1,870
Rehabilitation costs	58	0	0	58	90
Pass-through agreement	0	0	2,212	2,212	2,147
Debt service:					
Principal	0	1,902	0	1,902	3,254
Interest	0	7,540	0	7,540	8,371
Repayment of advances	0	16,050	0	16,050	1,000
Total Expenditures	2,388	25,660	9,720	37,768	23,150
Excess(Deficiency) of Revenues Over(Under) Expenditures	57	(13,594)	(5,294)	(18,831)	(5,420)
Other Financing Sources(Uses):					
Operating transfers in	138	18,998	4,612	23,748	7,930
Operating transfers out	(1,841)	(4,056)	(17,851)	(23,748)	(7,930)
Advances from the City	0	482	1,425	1,907	1,411
Advances to the City	(41)	0	(217)	(258)	(141)
Gain/loss on sale of assets	0	0	1,136	1,136	(37)
Long-term obligation proceeds	0	0	0	0	1,100
Total Other Financing Sources(Uses)	(1,744)	15,424	(10,895)	2,785	2,333
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	(1,687)	1,830	(16,189)	(16,046)	(3,087)
Fund Balances, July 1	4,900	7,778	31,632	44,310	47,397
Fund Balances, June 30	$3,213	$9,608	$15,443	$28,264	$44,310

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
For the fiscal year ended June 30, 1998

(in thousands)

	Special Revenue Funds			Debt Service Funds			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Tax increment	$2,228	$2,236	$8	$8,725	$8,943	$218	$0	$0	$0
Interest	322	134	(188)	368	613	245	1,376	925	(451)
Intergovernmental	33	0	(33)	603	435	(168)	910	134	(776)
Miscellaneous	0	75	75	0	2,075	2,075	1,760	3,367	1,607
Total Revenues	2,583	2,445	(138)	9,696	12,066	2,370	4,046	4,426	380
Expenditures:									
Current:									
Salaries and administrative	593	1,089	(496)	20	20	0	4,149	2,572	1,577
Professional services	1,089	403	686	372	148	224	1,239	808	431
Property acquisitions	36	2	34	0	0	0	171	159	12
Relocation costs	527	322	205	0	0	0	0	0	0
Project improvement	1,943	514	1,429	0	0	0	13,078	3,969	9,109
Rehabilitation costs	79	58	21	0	0	0	0	0	0
Pass-through agreement	0	0	0	0	0	0	2,198	2,212	(14)
Debt service:									
Principal	0	0	0	18,252	1,902	16,350	0	0	0
Interest	0	0	0	8,943	7,540	1,403	0	0	0
Repayment of advances	0	0	0	0	16,050	(16,050)	0	0	0
Total Expenditures	4,267	2,388	1,879	27,587	25,660	1,927	20,835	9,720	11,115
Excess(Deficiency) of Revenues Over(Under) Expenditures	(1,684)	57	1,741	(17,891)	(13,594)	4,297	(16,789)	(5,294)	11,495
Other Financing Sources(Uses):									
Operating transfers in	138	138	0	18,998	18,998	0	4,612	4,612	0
Operating transfers out	(1,841)	(1,841)	0	(4,056)	(4,056)	0	(17,851)	(17,851)	0
Advances from the City	0	0	0	0	482	482	2,445	1,425	(1,020)
Advances to the City	(41)	(41)	0	0	0	0	(217)	(217)	0
Gain/loss on sale of assets	0	0	0	0	0	0	1,164	1,136	(28)
Total Other Financing Sources(Uses)	(1,744)	(1,744)	0	14,942	15,424	482	(9,847)	(10,895)	(1,048)
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	(3,428)	(1,687)	1,741	(2,949)	1,830	4,779	(26,636)	(16,189)	10,447
Fund Balances, July 1	4,900	4,900	0	7,778	7,778	0	31,632	31,632	0
Fund Balances, June 30	$1,472	$3,213	$1,741	$4,829	$9,608	$4,779	$4,996	$15,443	$10,447

See accompanying notes to financial statements.

Note 1. Nature of Operations, Significant Accounting and Reporting Policies and Description of Funds and Account Groups

A. Nature of Operations

The Redevelopment Agency of the City of Riverside (Agency) rehabilitates blighted areas within six project areas located within the boundaries of the City of Riverside (City). The members of the City Council serve as the governing board of the Agency (Board). The Agency actively participates in projects of a public nature which encourage the development or rehabilitation of private and public development projects. Additionally, the Agency is actively involved in City-wide historic preservation and initiated a program in early 1990 designed to preserve, through redevelopment activities along with special State and Federal incentives, the integrity of historic civic, commercial and residential structures and neighborhoods. The Agency plans to use the special features that give the City its unique character as a catalyst for new development, tourism and economic revitalization.

B. Reporting Entity

The Agency is considered a "component unit" of the City of Riverside for overall financial reporting purposes. The Agency was created in 1971, in accordance with Community Redevelopment Law of California and the State of California Health and Safety Code, and acts as a legal entity, separate and distinct from the City of Riverside.

Actions of the Agency are binding, and business, including the incurrence of long-term obligations, is routinely transacted in the Agency's name by its appointed representatives. The Agency is broadly empowered to engage in general economic revitalization and redevelopment of the City through acquisition and development of property in City areas determined to be in a declining condition.

In fiscal year 1988, the Riverside Public Financing Authority (Authority), a non-profit corporation, was created as a joint-powers authority between the Agency and the City to serve as a conduit for the issuance of bonds to fund improvements in various redevelopment project areas. The Authority has issued tax allocation bonds secured by loan agreements between the Agency and the Authority. These loan agreements are secured by a first pledge of and lien on a portion of property tax revenues within the respective project areas. Financial data of the Authority is included in the appropriate fund types of the Agency. Separate completed Authority financial statements may be obtained from the City's Finance Department, 3900 Main Street, Riverside, California 92522.

The Agency has received/advanced monies from/to the City of Riverside for use on redevelopment projects. Agreements between the Agency and the City provide for the Agency to repay the advances from future tax increment revenues, subordinated to the Agency's bonded debt. Included in the general long-term obligations account group at June 30, 1998, are advances from the City and accumulated interest totaling $10,248.

C. New Accounting Standards

The Agency adopted GASB Statement No.27, "Accounting for Pensions by State and Local Government Employers," which establishes standards for the measurement, recognition, and

display of pension expenditures and related liabilities, assets and note disclosures. The effect of adopting this accounting standard was immaterial to the financial statements. See Note 8.

In addition, the Agency adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools." This statement establishes accounting and financial reporting standards for all investments held by governmental external investment pools and establishes fair value standards for other governmental entities. The effect of adopting this standard was immaterial to the financial statements. See Note 1(G).

D. Description of Funds

The accounts of the Agency are organized on the basis of funds and account groups, each of which is considered a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various fund types and account groups are as follows:

Governmental Fund Types

Special Revenue Funds Special Revenue Funds are used to account for the portion of annual tax increment proceeds set aside for low and moderate income housing projects.

Debt Service Funds Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds Capital Projects Funds reflect revenues and expenditures of the Agency's redevelopment capital projects. These expenditures include acquisition of properties, cost of site improvements, and other costs that benefit the project areas as well as administrative expenditures incurred in sustaining Agency activities. Tax allocation bonds restrict usage of bond proceeds to specific capital improvements within each redevelopment project area.

Account Groups

General Fixed Assets Account Group The General Fixed Assets Account Group is used to maintain cost information for general capital assets owned by the Agency.

General Long-Term Obligations Account Group The General Long-Term Obligations Account Group is utilized to record the outstanding principal balances of general obligation bonds and any other long-term obligations which are backed by the full faith and credit of the Agency.

E. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported

fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources". The fixed assets and long-term liabilities associated with the governmental funds are segregated into the General Fixed Assets and General Long-Term Obligations Account Groups.

The accompanying combined financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available as a resource to finance current operations. Expenditures are generally recorded at the time liabilities are incurred. The Agency recognizes interest expenditures on advances from the City in order to achieve symmetry with the City's recognition of interest income on these advances. Except for interest on advances from the City, interest is not recorded until paid.

F. Budget and Budgetary Accounting

After January 1st of each year, the Agency prepares estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed budget and presented to the City Manager for review. Prior to June 1st, the City Manager submits the proposed operating budget to the Board. The operating budget includes a summary of proposed expenditures and financial resources of the Agency and historical data for the preceding fiscal year. Public hearings are conducted to obtain taxpayer comments. The Board generally adopts the budget at its last meeting in June. All appropriated amounts are as originally adopted or as amended by the Board. Unencumbered appropriations lapse at year end.

Agency management is authorized to transfer budgeted amounts between accounts. Transfers of appropriations between departments and funds or increased appropriations may be made only by authority of the Agency's governing board.

Total fund expenditures may not legally exceed the total fund budgeted amounts. Formal budgetary integration is employed as a management control device during the fiscal year for the special revenue, debt service and capital projects funds. These budgets are adopted on a basis consistent with Generally Accepted Accounting Principles.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the special revenue and capital projects funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

H. Cash and Investments

In accordance with Agency policy, the Agency's cash and investments, except for cash and investments with fiscal agents, are invested in a pool managed by the Treasurer of the City. The Agency does not own specific, identifiable investments of the

pool. The pooled interest earned is allocated monthly based on the month end cash balances.

The City Treasurer deposits idle funds in accordance with Section 53601 of the California Government Code and the City's general investment policy. Deposits held in banks are entirely insured or collateralized. At June 30, 1998, the City had invested principally in medium term and floating rate notes, certificates of deposit, the Local Agency Investment Fund (LAIF) and U.S. Government Agency obligations held by the City or its agent in the City's name. Additionally, during the fiscal year, the City's portfolio held a limited amount of variable rate securities including inverse floating rate and structured rate notes. The fair value of the City's investment pool, which includes cash and investments at various fiscal agents (discussed below), is $433,299 at June 30, 1998. The Agency's cash and investment balance included in the City's pool is $13,639. The City intends to hold its investments until maturity, at which time the face value is expected to be realized. Investments held at June 30, 1998, except LAIF funds and investments in Deferred Compensation Plans not required to be categorized, were insured or registered, with securities held by the City or by its agent in the City's name. Disclosure of the legal and contractual provisions of the City's investment policy and carrying amounts by type of investment categorized by credit risk may be found in the notes of the City's separately published "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1998.

I. Cash and Investments at Fiscal Agents

Cash and investments maintained by fiscal agents are considered restricted by the Agency and are pledged as collateral for payment of principal and interest on bonds. Cash and investments at fiscal agents in the amount of $10,306 were held in bond repayment funds at June 30, 1998, for liquidation of principal and interest on tax allocation and revenue bond debt. At June 30, 1998, cash and investments held by fiscal agents, were insured or registered, with securities held by the Agency, or by its agent, in the Agency's name.

J. Fixed Assets

General fixed assets are capitalized at historical cost or, in the case of gifts or contributions, at market value at time of receipt by the Agency. Depreciation is not recorded on general fixed assets.

K. Land and Improvements Held for Resale

Land and improvements held for resale are generally acquired under Developer Disposition Agreements (DDAs) in the normal course of redevelopment activity. The DDAs provide for transfer of the property to developers after certain redevelopment obligations have been fulfilled. The property is carried at cost until an event occurs to indicate a lower net realizable value.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions which constitute reimbursements are eliminated in the reimbursed fund and accounted for as expenditures in the fund to which the transaction is applicable.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as operating transfers.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying balance sheet.

Recognition of governmental fund type revenues represented by non-current receivables, such as advances to/from other funds, is deferred until they become a current receivable or non-current portions of long-term receivables are offset by fund balance reserve accounts.

M. Deferred Revenues

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. They also arise when resources are received by the Agency before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when a legal claim to the resources exists, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

N. General Long-Term Obligations

General long-term obligations are not included with the liabilities of any fund, but are recorded in the General Long-Term Obligations Account Group.

O. Compensated Absences

The Agency's employees receive ten to twenty-three vacation days a year based upon length of service. A maximum of two years' vacation accrual can be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, a percentage of unused sick leave is paid to certain employees or their estates in lump sum based on longevity.

Vacation and sick leave in governmental funds expected to be liquidated with expendable available financial resources is reported in the fund while the balance of the liability is reported in the General Long-Term Obligations Account Group.

P. Tax Increment Revenues

Incremental property taxes are considered project revenues by the Agency when they become measurable and available for financing redevelopment activities during the year.

Incremental property tax revenues represent property taxes collected from the taxes levied and collected each year on a redevelopment project in excess of the amount that would have been levied and collected on the base year property tax assessment. (A property tax base year is determined to be the year prior to the establishment of a redevelopment project area.)

Q. Taxes Receivable

Under California law, property taxes are assessed and collected by counties for up to 1% of assessed value, plus other increases as approved by affected voters. Property tax revenues are

pooled and then allocated to entities based on complex formulas prescribed by State statutes.

Property taxes are levied on property values as of March 1 for the ensuing fiscal year (July 1 to June 30). The first installment is due November 1, and is considered delinquent on December 10. The second installment is due March 1 and is considered delinquent on April 10.

R. Totals (Memorandum Only)

Amounts in the "Totals-Memorandum Only" column are presented only to facilitate financial analysis but do not present financial position or results of operations in conformity with GAAP. Neither is such data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Specifically, the Agency has made certain estimates and assumptions relating to the collectibility of its receivables (including accounts receivable, intergovernmental receivables, rehabilitation loans, amounts due from other funds and amounts advanced to the City), the valuation of property held for resale, and the untimate outcome of claims and judgments. Actual results may differ from those estimates and assumptions.

Note 2. Rehabilitation Loans Receivable and Capital Lease Receivable

Rehabilitation Loans Receivable

The Agency grants loans of up to 30 years bearing interest from 0 to 12 percent and secured by deeds of trust to individuals and businesses to assist in the redevelopment of the City.

All loans must be approved by the Agency's Governing Board. At the time such loans are approved, a commitment is established for the total loan amount. Portions of the loans are disbursed as construction and other rehabilitation costs are incurred.

As of June 30, 1998, loans receivable by project area are as follows:

	Total Loans Granted and Receivable
Special Revenue Funds	
Arlington	$ 44
Casa Blanca	2,455
Downtown/Airport	161
University Corridor/Sycamore Canyon	576
Rehabilitation	351
	$3,587

Capital Projects Funds:

Casa Blanca	$ 711
Downtown/Airport	3,282
Central Industrial	513
	$4,506
Total	**$8,093**

At June 30, 1998, the loans receivable account contains two loans pertaining to the acquisition of the Mission Inn. The Agency provided the developer $1,750 for capital start-up expenses, as well as, extending the terms of an earlier Urban Development Action Grant loan of $532. Two commercial loans totaling $97 are also included. These loans provided interim financing for the historic home relocation project and construction of an industrial plant in the Downtown/Airport Project Area.

The Agency maintains a revolving loan portfolio in the Special Revenue Funds for low and moderate income housing rehabilitation clients. At June 30, 1998, the balance in these accounts was $76.

Capital Lease Receivable

The Agency has a Capital Lease Agreement with the State of California for the California Tower Office Complex, located in the Downtown/Airport Project Area. The Agreement is for a thirty year period and at maturity the ownership of California Tower will be transferred to the State. The terms of the Agreement require annual installments from $95 to $2,730 through October 1, 2024. The minimum future annual installments to be received are as follows:

1999	$ 2,033
2000	2,065
2001	2,100
2002	2,136
2003	2,169
Thereafter	54,895
Total Capital Lease Receivable	65,398
Less: Unearned Interest	(36,378)
Net Capital Lease Receivable	**$29,020**

Note 3. Land and Improvements Held for Resale

A summary of the estimated net realizable value of land and improvements held for resale by project area as of June 30, 1998, is as follows:

Special Revenue Funds:

Casa Blanca	$ 57
Downtown/Airport	1,166
University Corridor/Sycamore Canyon	821
	2,044

Capital Projects Funds:

Downtown/Airport	1,660
Total	**$ 3,704**

(amounts expressed in thousands)

Note 4. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
Redevelopment Agency – Capital Projects	Redevelopment Agency	
	Special Revenue	$ 484
	Capital Projects	37
Total		**$ 521**

Note 5. General Fixed Assets

A summary of changes in the general fixed assets is as follows:

	Balance 6/30/97	Additions	Deletions	Balance 6/30/98
Land	$ 1,180	$ 0	$ 0	$1,180
Equipment	367	148	71	444
Total	**$1,547**	**$148**	**$71**	**$1,624**

Note 6. Long-Term Obligations

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations during the fiscal year:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year
Compensated absences payable	$ 221	$ 0	$ 49	$ 172
Advances from the City	24,399	1,907	16,058	10,248
Lease Revenue Bonds	29,115	0	95	29,020
Notes Payable	10,202	0	631	9,571
Tax Allocation Bonds	58,095	0	971	57,124
Revenue Bonds	9,835	0	205	9,630
Total	**$131,867**	**$1,907**	**$18,009**	**$115,765**

Notes Payable

The following notes payable were issued to promote development and expansion of areas with the project areas. The Agency has the following notes payable at June 30, 1998:

	Principal Outstanding
The Agency entered into an Agreement with the City of Riverside to retire a HUD Section 108 Loan, interest at 8.9% to 9.1%, with an outstanding balance at June 30, 1998, of $1,375. The note is payable in annual principal and interest installments of $363 to $863 through August, 2000. The Agency has renegotiated this obligation with the City. The new agreement provides for all sales taxes generated by this project to be utilized toward the retirement of the debt and the repayment of any advances made regarding this obligation.	$1,375
The Agency entered into an Agreement with the City of Riverside to make payments on a HUD Section 108 Loan used to fund the University Village Project, interest at 5.36% to 7.66%, with an outstanding balance at June 30, 1998, of $3,960. The note is payable in annual principal and interest installments of $272 to $425 through August, 2015.	3,960
Note payable to Pepsi Cola Bottling Company of Los Angeles, interest at 10.5%, with an outstanding balance at June 30, 1998, of $2,987. Once a certificate of completion is issued, the note is payable in net annual installments of principal and interest of $341 through June, 2020. The certificate of completion cannot be issued until Pepsi has reached a $26 million investment requirement.	2,987
Note payable to Metal Container Corporation, interest at 7.39%, with an outstanding balance at June 30, 1998, of $92. The note is payable in annual principal and interest installments of $92 through December, 1998.	92
Note payable to Institutional Secured Properties, LLC, interest at 8.50%, with an outstanding balance at June 30, 1998, of $49. The note is payable in monthly principal and interest installments of $3 through June, 2010.	49
Note payable to Taste of the Sea, interest at 6%, payable in annual installments ranging from $53 to $56, including principal and interest through 1999.	50
Note payable to Marketplace MKB Partners, interest at 10%, payable in annual installments of $28, including principal and interest through 2007.	158
Note payable to Bank of Hemet, interest at 6.33%; due and payable in full April 1, 1999, for the Family Law Courthouse Project.	900
Total Notes Payable	**$ 9,571**

The following is a schedule of annual debt service requirements to maturity as of June 30, 1998:

Fiscal Year	Principal	Interest	Total
1999	$ 1,501	$ 796	$ 2,297
2000	442	871	1,313
2001	990	790	1,780
2002	180	720	900
2003	196	685	881
2004-2008	1,261	2,793	4,054
2009-2013	1,836	1,937	3,773
2014-2018	1,902	1,065	2,967
2019-2023	1,263	430	1,693
Totals	**$9,571**	**$10,087**	**$19,658**

Bonds Payable

Bonds Payable at June 30, 1998, consisted of the following:

	Principal Outstanding
Tax Allocation Bonds	
$13,670 1993 Casa Blanca Project Area, Tax Allocation Bonds, $4,315 serial bonds, 4.0% to 5.4%, due in annual installments from $235 to $395 through August 1, 2008; and $9,355 term bonds, 5.625%, due in annual installments from $415 to $890 through August 1, 2023.	$12,775
$31,600 1993 Downtown/Airport Project Area, Tax Allocation Refunding Bonds, $7,410 serial bonds, 4.0% to 5.4%, due in annual installments from $155 to $1,015 through August 1, 2008; and $24,190 term bonds, 5.625%, due in annual installments from $1,070 to $2,300 through August 1, 2023	31,010
$3,400 1993 Downtown/Airport Project Area, Taxable Tax Allocation Serial Bonds, 5.7% to 6.75%, due in annual installments from $405 to $515 through August 1, 2001.	1,885
$12,090 1994 Multiple Project Areas, Tax Allocation Serial Refunding Bonds issued through the Association of Bay Area Government Bond Pool, 4.7% to 6.4%, due in annual installments from $175 to $840 through December 1, 2024.	11,454
Total	**$ 57,124**
Revenue Bonds	
$15,640 1988 Public Financing Authority Revenue Bonds, Series A, Central Industrial Project Area (Airport portion called): $1,425 serial bonds, 7.1% to 7.6%, due in annual installments from $105 to $145 through February 1, 2003; $915 term bonds, 7.80%, due in annual installments from $155 to $210 through February 1, 2008; and $3,300 term bonds, 7.90%, due in annual installments from $230 to $455 through February 1, 2018.	$ 4,850

$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas: $1,170 serial bonds, 7.15% to 7.60%, due in annual installments from $100 to $145 through February 1, 2003; $4,175 term bonds, 8.00%, due in annual installments from $155 to $450 through February 1, 2018 (portion not refunded). 4,780

Total **$ 9,630**

Lease Revenue Bonds

$24,810 1994 Downtown/Airport Project Area, Series A, Tax Exempt Bonds: $4,085 serial bonds, 4.60% to 6.00%, due in annual installments from $90 to $610 through October 1, 2009; $5,250 term bonds, 6.00%, due in annual installments from $675 to $1,090 through October 1, 2015; $13,140 term bonds, 6.375%, due in annual installments from $1,190 to $2,155 through October 1, 2023; $2,335 term bonds, 6.50%, due in annual installments through October 1, 2024. $24,720

$4,305 1994 Downtown/Airport Project Area, Series B, Taxable Bonds: $45 term bonds, 7.50%, due in annual installments from $5 to $25 through October 1, 1999; $295 term bonds, 8.30%, due in annual installments from $35 to $75 through October 1, 2004; $470 term bonds, 8.65%, due in annual installments from $80 to $110 through October 1, 2009; $3,495 term bonds, 8.80%, due in annual installments from $120 to $395 through October 1, 2024. 4,300

Total **$ 29,020**

Total Bonds Payable **$ 95,774**

Annual debt service requirements to maturity for Bonds Payable, as of June 30, 1998, are as follows:

Fiscal Year	Principal	Interest	Total
1999	$ 1,365	$ 5,871	$ 7,236
2000	1,465	5,793	7,258
2001	1,590	5,705	7,295
2002	1,715	5,608	7,323
2003	1,875	5,507	7,382
2004-2008	11,545	25,719	37,264
2009-2013	16,325	21,554	37,879
2014-2018	23,060	15,453	38,513
2019-2023	26,770	7,536	34,306
2024-2028	10,064	564	10,628
Total	**$ 95,774**	**$99,310**	**$195,084**

In prior years, the Agency defeased certain Tax Allocation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Agency's financial statements. At fiscal year end, $7,095 of bonds outstanding are considered defeased.

Advances from the City of Riverside

All advances from the City accrue interest at the rate earned by the City's pooled investments which was 5.57% at June 30, 1998.

A schedule of the Agency's advances and related accrued but unpaid interest from the City at June 30, 1998, follows:

	Principal	Accrued Interest	Total
Downtown/Airport Project - $500 advance of August 5, 1986, due December 1, 2002.	$ 500	$ 562	$ 1,062
Downtown/Airport Project - $2,500 advance of December 3, 1985, due September 11, 1997.	2,500	2,696	5,196
University Corridor/Sycamore Canyon Project - $1,000 advance of June 28, 1994, due June 28, 2009.	1,000	234	1,234
Downtown/Airport Project - $251 advance of March 5, 1996, due March 5, 2001.	251	34	285
Downtown/Airport Project - $365 advance of April 17, 1998, due April 17, 1999.	365	4	369
University Corridor/Sycamore Canyon Project - $1060 advance of April 7, 1998 due October 7, 1998.	1,060	14	1,074
University Corridor/Sycamore Canyon Project - $953 advance of various dates, due March 1, 1998.	953	75	1,028
Total	**$6,629**	**$3,619**	**$10,248**

Note 7. Self Insurance Program

The Agency participates in a self-insurance program for Workers' Compensation and General Liability coverage which is administered by the City. The Agency pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and unreported claims based upon past experience, modified for current trends and information.

While the ultimate losses incurred through June 30, 1998, are dependent upon future developments, the Agency's management believes that amounts paid are sufficient to cover such losses. Information relating to the City's self-insurance liability is reported in the City's "Comprehensive Annual Financial Report".

Note 8. Deferred Compensation and Employees' Retirement Plans

Deferred Compensation

The Agency offers its employees participation in a Deferred Compensation Plan administered by the City and created in

accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits deferral of a portion of an employee's salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As a result of changes under the Small Business Job Protection Act of 1996, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, must be held in a trust, custodial account, or annuity contract, for the exclusive benefit of the employee participants and their beneficiaries. The new law effectively repeals the requirement that a section 457 plan sponsored by a governmental entity be solely the property of the employer, subject only to the claims of the employer's general creditors.

For plans in existence on the date of enactment of the new law (August 20, 1996), a trust needs to be established by January 1, 1999. The City is currently working toward the establishment of the necessary trust and at the time the trust is established, the assets will no longer be accounted for on the Agency's books.

It is the opinion of the City's legal counsel that 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. A summary of the activity of the Plan for the year ended June 30, 1998, may be found in the notes of the City's "Comprehensive Annual Financial Report".

Employees' Retirement Plan

Agency employees are covered under the City's participation in the State of California's Public Employees Retirement System (PERS).

The City contributes to PERS, an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agency for participating public entities within the State of California.

All permanent full-time and selected part-time Agency employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 55 and receive 2% of their highest average annual salary for each year of service completed. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance. Employee contributions are 7%. The Agency is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration.

Citywide information concerning elements of unfunded pension benefit obligation, contributions to PERS for the year ended June 30, 1998, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Report".

Note 9. Deficit Fund Balances

Deficit fund balances in the amount of $44 and $37 exist in the Special Revenue and Capital Project Funds, respectively, for the Eastside Redevelopment Project Area. Property tax appeals have reduced the amount of property tax increment revenues received. Subsequent years expenditures will be appropriately monitored to correct the deficit balances with future revenues.

Note 10. Commitments and Litigation

Commitments

The Agency is committed to incur construction, relocation and other redevelopment costs under various Developer Disposition Agreements (DDA's), Owner Participation Agreements (OPA's) and Financial Loan Guaranties related to the implementation of redevelopment plans. The Agency has included approximately $9,046 in the Fiscal Year 1998/1999 Budget relating to these commitments.

Litigation

The Agency is a defendant in various claims and legal actions arising in the normal course of operations. Management, based in part on the opinion of the Agency's outside legal counsel, does not believe the ultimate liability from such actions and claims will have a material adverse effect on the Agency's financial position or operations.

Note 11. Year 2000 (unaudited)

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. Problems affecting a wide range of governmental activities are likely to result if computers and other electronic equipment dependent upon date-sensitive coding are not corrected. These problems have the potential for causing a disruption in some operations and may temporarily increase the cost of those operations.

The City has established an "Information Systems Strategic Plan" for dealing with the year 2000 issue. During the year, the City signed a supplemental service agreement with the firm contracted to manage its Information Systems department to assist in addressing this issue. An extensive evaluation by this firm led to the City's decision to replace the hardware and software for its financial systems. In addition, the City identified its other mission critical systems requiring replacement, including human resources/payroll, municipal services billing and cashiering. The project is estimated to cost $10,521 and was approved by the City Council in 1998. Amounts spent during the year were $848 and the project is anticipated to be complete by October 1999.

Note 12. Subsequent Events

In July 1998, the Magnolia Center Project Area was formed. The boundaries for this area contain approximately 500 acres and follow the major streets in the Magnolia Center area. Tax increment funds will be used for revitalization of the area with a focus on business retention and expansion and infrastructure improvements.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
June 30, 1998
(with comparative totals at June 30, 1997)

(in thousands)

Assets	Arlington	Casa Blanca	Eastside	Downtown/ Airport	University Corridor/ Sycamore Canyon	Rehabil-itation	Totals 1998	Totals 1997
Cash and investments	$25	$450	$0	$0	$661	$23	$1,159	$2,218
Restricted assets - cash and investments at fiscal agent	0	0	0	5	0	33	38	830
Interest receivable	1	7	0	0	9	0	17	26
Taxes receivable	0	0	0	0	0	0	0	4
Accounts receivable, net	2	0	0	0	1	0	3	3
Rehabilitation loans receivable	44	2,455	0	161	576	351	3,587	3,317
Prepaid items	0	0	0	0	7	0	7	0
Land and improvements held for resale	0	57	0	1,166	821	0	2,044	2,043
Total Assets	$72	$2,969	$0	$1,332	$2,075	$407	$6,855	$8,441
Liabilities and Fund Balances (Accumulated Deficit)								
Liabilities:								
Accounts payable	$0	$2	$1	$5	$0	$15	$23	$62
Deferred revenues	34	2,455	0	145	501	0	3,135	2,804
Due to other funds	0	0	43	437	0	4	484	675
Total Liabilities	34	2,457	44	587	501	19	3,642	3,541
Fund Balances (Accumulated Deficit):								
Reserved for encumbrances	0	0	0	60	22	0	82	65
Reserved for loans receivable	12	0	0	16	75	351	454	515
Reserved for prepaid items	0	0	0	0	7	0	7	0
Reserved for land and improvements held for resale	0	57	0	1,166	821	0	2,044	2,043
Unreserved, designated for future operations	4	75	0	0	532	0	611	1,040
Unreserved, undesignated	22	380	(44)	(497)	117	37	15	1,237
Total Fund Balances (Accumulated Deficit)	38	512	(44)	745	1,574	388	3,213	4,900
Total Liabilities and Fund Balances (Accumulated Deficit)	$72	$2,969	$0	$1,332	$2,075	$407	$6,855	$8,441

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (ACCUMULATED DEFICIT)
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 1998
(with comparative totals for the fiscal year ended June 30, 1997)

(in thousands)

	Arlington	Casa Blanca	Eastside	Downtown/ Airport	University Corridor/ Sycamore Canyon	Rehabil-itation	Totals 1998	Totals 1997
Revenues:								
Tax increment	$17	$339	$10	$1,321	$549	$0	$2,236	$2,232
Interest	7	31	0	38	58	0	134	174
Intergovernmental	0	0	0	0	0	0	0	4
Miscellaneous	17	0	0	4	54	0	75	825
Total Revenues	41	370	10	1,363	661	0	2,445	3,235
Expenditures:								
Current:								
Salaries and administrative	8	443	3	86	549	0	1,089	843
Professional services	0	2	0	365	36	0	403	623
Property acquisitions	0	0	0	2	0	0	2	0
Relocation costs	0	0	0	322	0	0	322	400
Project improvement	98	0	0	16	400	0	514	239
Rehabilitation costs	0	0	0	0	58	0	58	90
Total Expenditures	106	445	3	791	1,043	0	2,388	2,195
Excess(Deficiency) of Revenues Over(Under) Expenditures	(65)	(75)	7	572	(382)	0	57	1,040
Other Financing Sources(Uses):								
Operating transfers in	0	0	0	138	0	0	138	0
Operating transfers out	(13)	(414)	(7)	(1,190)	(217)	0	(1,841)	(1,839)
Advances to the City	0	0	0	0	0	(41)	(41)	(124)
Long-term obligation proceeds	0	0	0	0	0	0	0	100
Total Other Financing Sources(Uses)	(13)	(414)	(7)	(1,052)	(217)	(41)	(1,744)	(1,863)
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	(78)	(489)	0	(480)	(599)	(41)	(1,687)	(823)
Fund Balances (Accumulated Deficit), July 1	116	1,001	(44)	1,225	2,173	429	4,900	5,723
Fund Balances (Accumulated Deficit), June 30	$38	$512	($44)	$745	$1,574	$388	$3,213	$4,900

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit ot the City of Riverside, California)
COMBINING BALANCE SHEET
ALL DEBT SERVICE FUNDS
June 30, 1998
(with comparative totals at June 30, 1997)

(in thousands)

Assets	Arlington	Casa Blanca	Eastside	Downtown/ Airport	University Corridor/ Sycamore Canyon	Totals 1998	Totals 1997
Cash and investments	$50	$595	$28	$2,224	$468	$3,365	$2,136
Restricted assets - cash and investments at fiscal agent	59	0	35	4,452	1,045	5,591	5,608
Interest receivable	0	10	0	17	10	37	24
Taxes receivable	0	0	0	0	0	0	16
Intergovernmental receivables	0	0	0	0	55	55	0
Capital lease receivable	0	0	0	29,020	0	29,020	29,115
Prepaid items	0	0	0	3	362	365	0
Advances to the City	0	0	0	0	232	232	220
Total Assets	$109	$605	$63	$35,716	$2,172	$38,665	$37,119
Liabilities and Fund Balances							
Liabilities:							
Account payable	$0	$0	$0	$0	$5	$5	$6
Deferred revenue	0	0	0	29,020	32	29,052	29,135
Due to other funds	0	0	0	0	0	0	200
Total Liabilities	0	0	0	29,020	37	29,057	29,341
Fund Balances:							
Reserved for advances to the City	0	0	0	0	200	200	200
Reserved for debt service	109	605	63	6,696	1,935	9,408	7,578
Total Fund Balances	109	605	63	6,696	2,135	9,608	7,778
Total Liabilities and Fund Balances	$109	$605	$63	$35,716	$2,172	$38,665	$37,119

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 1998
(with comparative totals for the fiscal year ended June 30, 1997)

(in thousands)

	Arlington	Casa Blanca	Eastside	Downtown/ Airport	University Corridor/ Sycamore Canyon	Totals 1998	Totals 1997
Revenues:							
Tax increment	$64	$1,362	$40	$5,286	$2,191	$8,943	$8,928
Interest	5	19	3	516	70	613	441
Intergovernmental	0	0	0	0	435	435	272
Miscellaneous	0	0	0	1,857	218	2,075	529
Total Revenues	69	1,381	43	7,659	2,914	12,066	10,170
Expenditures:							
Current:							
Salaries and administrative	0	2	0	8	10	20	14
Professional services	1	22	1	86	38	148	268
Debt service:							
Principal	12	236	6	1,036	612	1,902	3,254
Interest	44	699	25	5,346	1,426	7,540	8,371
Repayment of advances	0	0	0	16,050	0	16,050	1,000
Total Expenditures	57	959	32	22,526	2,086	25,660	12,907
Excess(Deficiency) of Revenues Over(Under) Expenditures	12	422	11	(14,867)	828	(13,594)	(2,737)
Other Financing Sources(Uses):							
Operating transfers in	13	414	7	17,360	1,204	18,998	3,942
Operating transfers out	(26)	(829)	(18)	(1,923)	(1,260)	(4,056)	(3,988)
Advances from the City	0	0	0	348	134	482	401
Total Other Financing Sources(Uses)	(13)	(415)	(11)	15,785	78	15,424	355
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	(1)	7	0	918	906	1,830	(2,382)
Fund Balances, July 1	110	598	63	5,778	1,229	7,778	10,160
Fund Balances, June 30	$109	$605	$63	$6,696	$2,135	$9,608	$7,778

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING BALANCE SHEET
ALL CAPITAL PROJECTS FUNDS
June 30, 1998
(with comparative totals at June 30, 1997)

(in thousands)

Assets	Arlington	Casa Blanca	Eastside	Downtown/ Airport	University Corridor/ Sycamore Canyon	Totals 1998	Totals 1997
Cash and investments	$73	$1,972	$0	$5,650	$1,420	$9,115	$7,073
Restricted assets - cash and investments at fiscal agent	0	3,841	0	836	0	4,677	8,164
Interest receivable	0	17	0	52	12	81	107
Accounts receivable, net	0	4	0	128	2	134	29
Intergovernmental receivables	0	0	0	0	133	133	0
Rehabilitation loans receivable	0	711	0	3,282	513	4,506	4,362
Prepaid items	0	0	0	1	0	1	0
Due from other funds	0	0	0	521	0	521	1,491
Advances to the City	0	0	0	195	0	195	254
Land and improvements held for resale	0	0	0	1,660	0	1,660	17,245
Total Assets	$73	$6,545	$0	$12,325	$2,080	$21,023	$38,725
Liabilities and Fund Balances(Accumulated Deficit)							
Liabilities:							
Accounts payable	$3	$114	$0	$1,386	$100	$1,603	$1,770
Accrued liabilities	0	0	0	13	0	13	9
Compensated absences	0	0	0	10	0	10	11
Retainage payable	0	0	0	16	0	16	754
Deferred revenues	0	75	0	3,481	208	3,764	3,857
Deposits	0	0	0	137	0	137	76
Due to other funds	0	0	37	0	0	37	616
Total Liabilities	3	189	37	5,043	308	5,580	7,093
Fund Balances(Accumulated Deficit):							
Reserved for encumbrances	8	2	0	522	42	574	2,197
Reserved for advances to the City	0	0	0	26	0	26	44
Reserved for non-current loans receivable	0	636	0	37	315	988	782
Reserved for prepaid items	0	0	0	1	0	1	0
Reserved for land and improvements held for resale	0	0	0	1,660	0	1,660	17,245
Unreserved, designated for future operations	23	4,385	0	3,022	1,326	8,756	6,691
Unreserved, undesignated	39	1,333	(37)	2,014	89	3,438	4,673
Total Fund Balances(Accumulated Deficit)	70	6,356	(37)	7,282	1,772	15,443	31,632
Total Liabilities and Fund Balances(Accumulated Deficit)	$73	$6,545	$0	$12,325	$2,080	$21,023	$38,725

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (ACCUMULATED DEFICIT)
ALL CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 1998
(with comparative totals for the fiscal year ended June 30, 1997)

(in thousands)

	Arlington	Casa Blanca	Eastside	Downtown Airport	University Corridor/ Sycamore Canyon	Totals 1998	Totals 1997
Revenues:							
Interest	$2	$345	$0	$487	$91	$925	$1,292
Intergovernmental	0	0	0	0	134	134	419
Miscellaneous	0	0	0	3,147	220	3,367	2,614
Total Revenues	2	345	0	3,634	445	4,426	4,325
Expenditures:							
Current:							
Salaries and administrative	3	788	1	1,390	390	2,572	2,625
Professional services	6	9	0	663	130	808	949
Property acquisitions	0	0	0	0	159	159	23
Relocation costs	0	0	0	0	0	0	673
Project improvement	1	82	0	2,231	1,655	3,969	1,631
Pass-through agreement	0	230	0	1,771	211	2,212	2,147
Total Expenditures	10	1,109	1	6,055	2,545	9,720	8,048
Excess(Deficiency) of Revenue Over(Under) Expenditures	(8)	(764)	(1)	(2,421)	(2,100)	(5,294)	(3,723)
Other Financing Sources(Uses):							
Operating transfers in	26	829	18	1,785	1,954	4,612	3,988
Operating transfers out	0	0	0	(16,079)	(1,772)	(17,851)	(2,103)
Advances from the City	0	0	0	365	1,060	1,425	1,010
Advances to the City	0	0	0	(54)	(163)	(217)	(17)
Gain/Loss on sale of assets	0	0	0	1,164	(28)	1,136	(37)
Long-term obligation proceeds	0	0	0	0	0	0	1,000
Total Other Financing Sources(Uses)	26	829	18	(12,819)	1,051	(10,895)	3,841
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses	18	65	17	(15,240)	(1,049)	(16,189)	118
Fund Balances (Accumulated Deficit), July 1	52	6,291	(54)	22,522	2,821	31,632	31,514
Fund Balances (Accumulated Deficit), June 30	$70	$6,356	($37)	$7,282	$1,772	$15,443	$31,632

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
SCHEDULE OF GENERAL FIXED ASSETS
BY PROJECT AREA
June 30, 1998 and 1997

(in thousands)

	1998	1997
General Fixed Assets:		
Land	$1,180	$1,180
Equipment	444	367
Total General Fixed Assets	$1,624	$1,547
Investment in General Fixed Assets:		
Arlington	$161	$161
Casa Blanca	84	84
Downtown/Airport	1,341	1,264
Central Industrial	25	25
Sycamore Canyon	13	13
Total Investment in General Fixed Assets	$1,624	$1,547

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
SCHEDULE OF GENERAL LONG-TERM OBLIGATIONS
BY PROJECT AREA
June 30, 1998
(with comparative totals for June 30, 1997)

(in thousands)

	Arlington	Casa Blanca	Eastside	Downtown/ Airport	University Corridor/ Sycamore Canyon	Totals 1998	Totals 1997
Amount available in debt service fund	$109	$605	$63	$6,696	$1,935	$9,408	$7,578
Amount to be provided for retirement of general long-term obligations	464	12,170	264	73,225	20,234	106,357	124,289
Totals	$573	$12,775	$327	$79,921	$22,169	$115,765	$131,867
Compensated absences payable	$0	$0	$0	$172	$0	$172	$221
Advances from the City	0	0	0	6,912	3,336	10,248	24,399
Notes payable	0	0	0	1,041	8,530	9,571	10,202
Tax allocation bonds payable	143	12,775	82	42,776	1,348	57,124	58,095
Revenue bonds payable	430	0	245	29,020	8,955	38,650	38,950
Totals	$573	$12,775	$327	$79,921	$22,169	$115,765	$131,867

See accompanying independent auditors' report.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AUDIT GUIDELINES FOR CALIFORNIA REDEVELOPMENT AGENCIES

The Honorable Board of Directors of
The Redevelopment Agency of the City of Riverside:

We have audited the accompanying financial statements of the Redevelopment Agency of the City of Riverside, California, (the Agency) as of and for the year ended June 30, 1998 and have issued our report thereon, dated October 30, 1998. We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

Compliance with laws and regulations applicable to the Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Agency's compliance with provisions of laws and regulations contained in the Guidelines for Compliance Audits of California Redevelopment Agencies issued by the State Controller's Office, Division of Local Government Fiscal Affairs.

The results of our tests indicated that, with respect to the items tested, the Agency complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Agency had not complied, in all material respects, with those provisions.

This report is intended for the information of the Agency and the State Controller's Office. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

October 30, 1998

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APPENDIX D

REPORT OF FISCAL CONSULTANT

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FISCAL CONSULTANT'S REPORT
1999 TAX ALLOCATION BONDS
FOR THE
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

MERGED AND AMENDED CENTRAL INDUSTRIAL AND SYCAMORE CANYON/BOX SPRINGS REDEVELOPMENT PROJECT

I. INTRODUCTION AND BACKGROUND

This Fiscal Consultant Report ("Report") has been prepared at the request of the Redevelopment Agency of the City of Riverside ("Agency") to substantiate the availability of tax increment revenues generated within the Merged and Amended Central Industrial & Sycamore Canyon/Box Springs Project Area ("Merged Project Area") to support the Agency's proposed tax allocation bonds ("Bonds").

The Central Industrial Redevelopment Project Area was adopted in 1977 ("Central Industrial – Original Area"). Territory was added by amendment in 1984 ("Central Industrial – 1984 Added Area") and in 1997 ("Central Industrial – 1997 Added Area). The Sycamore Canyon/Box Springs Project Area ("Sycamore Canyon/Box Springs – Original Area) was adopted in 1983, and territory was added by amendment in 1997 (Sycamore Canyon/Box Springs – 1997 Added Area). These two project areas were merged by amendment in 1997.

This Report presents historical assessment information and future revenue projections for the Merged Project Area. Background assumptions and other pertinent information is provided in the text of the Report, and detailed information is presented in the following tables which are attached to the Report:

Tables 1(a – e)	Historical Assessed Valuations and Tax Increment Receipts (Central Industrial - Original Area, 1984 Added Area, 1997 Added Area, Sycamore Canyon/Box Springs Industrial Park Original Area and 1997 Added Area)
Tables 2(a-g)	Projected Tax Increment Revenues (Merged Project Area)
Table 3	1997-98 Top Ten Taxpayers (Merged Project Area)

The projected assessed values and tax revenues presented in this Report are based upon assumptions formulated from the following:

1. historical growth trends;

2. trended growth in valuation as permitted by Article XIIIA of the California Constitution; and

3. assessment and apportionment procedures of the County of Riverside ("County").

Revenue projections have been conservatively estimated in order to reduce the possibility of overstating future tax increment revenues. While precautions have been taken to assure the accuracy of the data used in the formulation of these projections, it cannot be ensured that projected valuations will be realized. Actual values may be affected by future events and conditions that cannot be controlled or predicted with certainty.

II. HISTORICAL ASSESSED VALUATIONS AND TAX INCREMENT RECEIPTS

The Redevelopment Plan for the Merged Project Area provides that the Agency may collect tax increment revenue to finance redevelopment project implementation.

Tax increment revenue is generated from increases in the total assessed value above the base year value. The County Auditor-Controller reports the current year and base year values for the Merged Project Area in August of each year. The components of the base year valuations for each project area, as reported in 1998-99 by the Auditor-Controller of Riverside County, are:

BASE YEAR ASSESSED VALUATION

	MERGED PROJECT AREA				
	CENTRAL INDUSTRIAL			SYCAMORE CANYON	
	Original Area	*1984 Added Area*	*1997 Added Area*	*Original Area*	*1997 Added Area*
Secured	$10,826,226	$64,161,857	$7,811,352	$7,673,718	$5,599,476
Unsecured	$4,477,220	$6,439,044	$215,146		
TOTALS	$15,303,446	$70,600,901	$8,026,498	$7,673,718	$5,599,476

The values for the 1997 Added Areas are those prepared by the County Auditor-Controller for the Base Year Report at the time of plan adoption and are subject to minor changes. The historical assessed values for the Central Industrial – Original Area, 1984 Added Area, and 1997 Added Area, and Sycamore Canyon/Box Springs Industrial Park - Original Area and 1997 Added Areas are presented on Tables 1-a, 1-b, 1-c, 1-d, and 1-e, respectively.

III. FUTURE TAX INCREMENT PROJECTIONS

Future tax increment growth will be based upon the following factors:

a. "Proposition 13" Inflationary Adjustments
b. Increases in Value Caused by Ownership Changes
c. Increases in Value Caused by New Construction

In all cases, conservative growth assumptions have been made to avoid the possibility of overstating projected revenues.

Growth Assumptions. The following assumptions have been made in the tax increment projections related to the secured roll, unsecured roll, Unitary Utility, and new development.

a. Secured Roll. The projections assume a 2% annual increase in the secured assessed valuation, which is the maximum annual increase permitted by Article XIIIA of the California Constitution ("Proposition 13"). Since the passage of Proposition 13 in 1976, there have only been three years when the inflationary adjustment has been less than 2%. This occurred once in the early 1980s and in fiscal years 1995-96 and 1996-97. For fiscal years 1995-96 and 1996-97, the actual increases imposed by Article XIIIA were 1.19% and 1.11%, respectively. Because real estate values have stabilized, the projections assume a return to 2% inflationary growth.

b. Unsecured Roll. Assumed to remain the same over projection period (no growth projected).

c. Utility Roll. Assumed to remain the same over projection period (no growth projected).

d. New Development. Research of building permits issued in the last quarter of 1997 to date, provided values for construction in-progress which will likely not be reflected in the 1998-99 roll. Values associated with these building permits have been added to the projections in 1999-00.

MERGED PROJECT AREA
CENTRAL INDUSTRIAL AND SYCAMORE CANYON / BOX SPRINGS INDUSTRIAL PARK
NEW DEVELOPMENT ASSESSED VALUATION
(from building permit data)

Sub Area	Type & Description	Permit/Issue Date	Valuation
Original Area	Roof Truss Repair & 2nd Flr. Mezza	4/20/98	30,000
	Vapor Redemption System	1/26/98	20,000
		Total:	$50,000
Added Area	TI Planet Tan	11/14/97	30,000
	Expand Bedroom Area (4 Wings)	4/10/98	338,018
	TI Riverside Art of Dentistry	12/11/97	25,000
	TI Rite Aid Drug - Phase 1	4/30/98	650,000
		Total:	$1,043,018
Sycamore Canyon	Addition of Freezer Room	5/15/98	190,000
		Total:	$190,000
		Total all Sub-Areas:	$1,283,018

e. Changes in Ownership. Although changes in ownership will occur and will typically cause increases in assessed valuation, the actual rate of sales is unpredictable; therefore, the revenue projections do not reflect any assessed value growth pertaining to property sales.

Tax Rates. The 1997-98 tax rates for the Merged Project Area are as follows:

1997-98 Tax Rates

MERGED PROJECT AREA			
CENTRAL INDUSTRIAL		**SYCAMORE CANYON**	
TRA No.	Tax Rate	TRA No.	Tax Rate
09-005	1.02179	09-031	1.01599
09-063	1.02179	09-053	1.02888
09-064	1.02179	09-054	1.01599

The 1998-99 tax rates are not yet available. Because the override rate could be reduced in subsequent years as indebtedness is paid, the projections assume only a 1% tax rate.

Unitary Utility Revenue. As provided by Assembly Bill 454, property tax revenue from unitary utility property is disbursed in a different manner than revenue from nonunitary property. Because unitary utility revenues have remained generally constant in the past years, it has been assumed that the levels of unitary utility revenue will remain at the 1997-98 level in the revenue projections.

Tax Collection Fee/Delinquencies/Supplemental Roll. Actual tax increment disbursements are reduced to reflect the tax collection fee charged by the County Auditor-Controller pursuant to Senate Bill 2577. The tax collection fee varies slightly from year-to-year; during 1997-98, the County Auditor-Controller reported that the tax collection fee was 1.8% of the total tax increment revenue paid to the Agency for the Merged Project Area.

Actual tax increment receipts will be reduced to reflect tax collection fees charged by the County of Riverside. Receipts may increase or decrease by the amount of supplemental roll revenue and prior supplemental roll refunds. Because these costs/revenues/refunds cannot be accurately projected, and historically the revenues have exceeded the costs resulting in slightly higher revenues than anticipated, no provision is made to reflect their impact on future revenues.

The Agency has been placed on the County's "Teeter Plan," which stabilizes property tax payments at 100% of anticipated receipts. Consequently, delinquent property taxes do not impact the Agency's tax increment revenues. The Auditor-Controller remits tax increment revenues to the Agency in several payments throughout each fiscal year.

Low and Moderate Income Housing Fund Deposits. The Law requires the Agency to deposit 20% of a project area's tax increment revenue into a Low and Moderate Income Housing Fund for the purposes of maintaining and expanding the supply of housing affordable to very low, low, and moderate income households, unless certain findings are made. The projections assume that the Merged Project Area allocates 20% of gross tax increment to this purpose.

Payments to Affected Taxing Entities

The Agency has entered into certain agreements with affected taxing entities which are generally summarized below.

Prior to 1994, Section 33401 of the Health and Safety Code allowed redevelopment agencies to pay to any other entity collecting property taxes within the redevelopment project area a portion of tax increment revenues to alleviate any financial burden related to the redevelopment project. The terms of the agreement and percentages of tax revenue to be paid to each taxing entity pursuant to the agreement are reflected in the following summary table. Certain of these payments are subordinated to bond debt service if certain requirements are met. Agreements subject to subordination are noted on the table.

TAX SHARING AGREEMENTS

MERGED PROJECT AREA				
Taxing Entity	*Subord-inated*	*Entity Share*	*P/T %*	*Special Provisions*
Central Industrial Area				
County of Riverside	NO	29.01%	VARIES	0% If Gross T.I. ≤ $500K 10% If $500K < GTI ≤ $1M 25% If $1M < GTI ≤ $2M 50% If GTI > $2M When Cum. Retained = $4M, 100% P/T (assumed in 2000-2001)
Superintendent of Schools	NO	2.96%	30%	Affects 1984 Added Area Only
Riverside Unified School District	NO	N/A	N/A	Multi-Project Area Agreement Total Payment of $6,925,000 Years 1-15 (7/1/86 - 7/1/00) $300K annual Years 16-25 (7/1/01 - 7/1/10) $542,500 annual 10% of annual payment from Central Industrial Area
County Flood Control	YES	3.29%	VARIES	15% = FY 96/97 - 00/01 25% = FY 01/02 - 05/06 35% = FY 06/07 - 10/11 45% = FY 11/12 - 15/16 52% = FY 16/17 - 20/21 100% = FY 21/22 forward When cum. T.I. = $30M, 100% P/T (assumed in 2007-2008) net of L/M & Co. Admin
Riverside Community College District	YES	5.25%	100% after L/M & Co Admin (5.25 * .8 * .989)	P/T factor is 37.5% until RCCD provides a list of projects. Because this is anticipated soon, 100% assumed. 1992-93 Revised Base Year for purpose of calculating P/T (BY Value = $225,582,551).
Sycamore Canyon/Box Springs Industrial Park Area				
County of Riverside	NO	29.44%	VARIES	When T.I. ≤ $515K: 0% When T.I. ≥ $515K T.I. < $1 M: $15 K + 10% of T.I. - $515K When $1M ≥ T.I. < $2M: $29.5K + 25% of T.I. - $1M When $2M > T.I.: $104,550 + 50% of T.I. - $2M When Cum. Retained = $4.2 M 100% P/T (assumed in 2007-2008)
County Flood Control	NO	4.35%	VARIES	33% = FY 95/96 - 99/00 35% = FY 00/01 - 04/05 39% = FY 05/06 - 09/10 43% = FY 10/11 - 14/15 48% = FY 15/16 - 19/20 100% = FY 20/21 forward
1997 Amendments to Central Industrial and Sycamore Canyon Areas				
H.S.C. Section 33607.5 applies (AB1290); to date the pass-thrus are not subordinated				

KEY:

P/T% = Pass Through Percent
Co. Admin. = County Administrative Fee
L/M = Low/Mod Housing
G.T.I.= Gross Tax Increment
T.I. = Tax Increment
BY = Base Year
M = Million
K = Thousand

Payments to Developers/Property Owners

The Agency has entered into Disposition and Development Agreements/Owner Participation Agreements with three developers which provide for payment of certain tax increment revenue to these parties. These are with Smith Foods, Pepsi-Cola Bottling Company (both in the Sycamore Canyon Area), and Royal Citrus Company (in the Central Industrial Area). To date no payments have been made pursuant to these agreements. Agency staff has indicated that the maximum payment to Royal Citrus is $479,637 and because the current assessed value for the Royal Citrus parcels is less than the base year value, no payment is projected until 2003-04. Estimated payments thereafter are included in the projections based upon information provided by the Agency. Payments pursuant to the Pepsi agreement are subordinate to bond debt service and are deferred until a certificate of completion is issued by the Agency indicating all conditions required by the agreement with the Agency have been met. The Pepsi project has never been completed and no completion is anticipated by the Agency at this time. Because payments to Pepsi are subordinate to bond debt service and no payments are currently due, the tax increment projections do not include any payments to Pepsi. The Smith's Food agreement requires payment of a portion of revenue generated by the project to Smith's to repay advances made by Smith's to a Community Facilities District ("CFD") for infrastructure costs. The actual amount advanced by Smith's was $2,511,863. Although the CFD has not been formed, and Smith's no longer owns the property, the Agency has provided a schedule of estimated payments to the Smith's property owner. Because Agency Counsel has indicated that the payments to Smith's Food are subordinate to debt service, these payments are reflected in the projections for information purposes only.

IV. REDEVELOPMENT PLAN LIMITATIONS

The Redevelopment Plan for the Merged Project Area sets forth the following limitations applicable to the availability of tax increment revenues for the Bonds.

Revenue and Time Limits. Pursuant to changes in the California Community Redevelopment Law, Health and Safety Code Section 33000 *et seq.* ("Law"), which took effect on January 1, 1994, the Redevelopment Plan and subsequent plan amendments contain specific provisions and limitations that apply to the Merged Project Area, as shown below:

PLAN LIMITS

	MERGED PROJECT AREA				
	CENTRAL INDUSTRIAL			SYCAMORE CANYON	
TIME LIMITS	Orig. Area	1984 Amend.	1997 Amend.	Orig. Area	1997 Amend.
Incur Debt	1/14/14	11/27/14	7/8/17	1/1/14	7/8/17
Effect Plan	10/25/17	11/27/24	7/8/27	12/20/23	7/8/27
Receive Tax Inc	10/25/27	11/27/34	7/8/42	12/20/33	7/8/42
DOLLAR LIMITS	MERGED PROJECT AREA				
Bond	$187,000,000				
Tax Increment	$619,000,000				

As of June 30, 1997, the Agency's financial statements indicate that the Merged Project Area (includes all subareas) has collected $20.2 million in tax increment revenue, which is approximately $598.8 million below the Merged Project Redevelopment Plan limit.

V. TOP TEN TAXPAYERS

Utilizing the County's 1997-98 Secured Assessment Roll, the top ten largest taxpayers have been identified. Table C-1 lists the ten largest property taxpayers in the Merged Project Area.

The top ten taxpayers account for $151,385,463 or 51.2%, of the 1997-98 total secured assessed value of $295,562,944, and 57.5% of the incremental assessed valuation (secured and unsecured) of $263,324,058.

VI. ASSESSMENT APPEALS

In conjunction with the preparation of tax increment revenue projections, information on assessment appeals involving properties has been obtained. The assessment appeal database for the County of Riverside, as of June 1998, was provided by the Agency and was analyzed to identify assessment appeals within the boundaries of the Merged Project Area. The appeal database contains information on appeals from 1994 through 1997. Information related to 1998 appeals is not yet available.

Review of the secured roll property assessment appeals reveals that all 1994 and 1995 appeals have been resolved and adjusted on the 1997-98 roll. In 1996, 101 appeals were filed, 73 were withdrawn or denied, 10 have been stipulated or decided with a reduction in value of $2.3 million, and 18 remain outstanding. All of the 1997 appeals remain pending. After removing from the 1996 pending appeals all parcels that have also filed a 1997 appeal, a total decrease of $102 million is requested. Approximately $47 million of the requested decrease is due to an

appeal by Smith's Food Centers, $19.7 million represents an appeal by Pepsi, and $15 million represents reductions requested by Multifoods.

MERGED PROJECT AREA
CENTRAL INDUSTRIAL & SYCAMORE CANYON / BOX SPRINGS INDUSTRIAL
SECURED ROLL ASSESSMENT APPEAL SUMMARY
1994-95 TO 1997-98 (August 1998)

	1994	1995	1996	1997
Total Appeals on File *	49	67	101	86
Withdrawn/Late/Denied	33	44	73	0
Appeals Stipulated/Reduced	16	23	10	0
Appeals Pending	0	0	18	86
Resolved Appeals Summary				
Total AV of Appeals Not Pending	$58,781,042	$102,944,432	$46,131,008	-
Applicant Opinion	$30,496,219	$35,797,651	$14,872,846	-
Requested Reduction	$28,284,823	$67,146,781	$31,258,162	-
% Reduction Requested	48%	65%	68%	-
Reduction Granted	$8,201,139	$9,200,931	$2,300,496	-
% Reduction Granted	14%	9%	5%	-
Pending Appeals Summary **				
Total AV	-	-	$6,314,305	$158,494,864
Applicant Opinion	-	-	$3,795,170	$58,897,457
Requested Reduction	-	-	$2,519,135	$99,597,407
% Reduction Requested	-	-	40%	63%

* Duplicate appeals for same parcel in same year have been eliminated.
** Where parcel has both 1996 and 1997 appeals pending, values are not included in 1996 column.

Although the outcome of the pending appeals cannot be accurately projected, the tax increment projections have been decreased to make some accommodation for outstanding appeals. Because historically there has been little relationship between the level of reduction sought and that granted, and the percentage granted over the last three years has decreased each year, the projections assume a 10% reduction in assessed value for all parcels subject to an appeal. The effect of a 10% reduction in pending appeal assessed values is as follows:

EFFECT OF POTENTIAL 10% REDUCTION IN PENDING APPEAL ASSESSED VALUES

	Central Industrial	Sycamore Canyon	Total Merged Project Area
Roll Value *	$47,824,616	$116,984,553	$164,809,169
Requested Reduction	$28,508,989	$73,607,553	$102,116,542
% Requested Reduction	60%	63%	62%
10% of Roll Value	**$4,782,462**	**$11,698,455**	**$16,480,917**
Value after 10% Reduction	$43,042,154	$105,286,098	$148,328,252

* Duplicate appeals for same parcel in same year have been eliminated.

TABLE 1 - a

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

CENTRAL INDUSTRIAL ORIGINAL AREA

HISTORICAL ASSESSED VALUATIONS AND TAX INCREMENT RECEIPTS

	1993-94	% CHANGE	1994-95	% CHANGE	1995-96	% CHANGE	1996-97	% CHANGE	1997-98	% CHANGE	1998-99 (4)
Assessed Values (1):											
SECURED:	$ 55,085,069		$56,682,887		$62,844,241		$59,948,286		$60,949,902		$62,236,407
UNSECURED:	20,414,780		23,665,627		20,595,024		25,680,300		27,643,331		28,304,409
UTILITY (2):	1,967,875		1,150,583		1,199,843		1,160,773		2,509,745		3,525,034
TOTAL AV:	**$77,467,724**	**5.20%**	**$81,499,097**	**3.85%**	**$84,639,108**	**2.54%**	**$86,789,359**	**4.97%**	**$91,102,978**	**3.25%**	**$94,065,850**
LESS BASE YEAR:	(15,538,956)		(15,303,446)		(15,303,446)		(15,303,446)		(15,303,446)		(15,303,446)
INCREMENTAL AV:	**$61,928,768**	**6.89%**	**$66,195,651**	**4.74%**	**$69,335,662**	**3.10%**	**$71,485,913**	**6.03%**	**$75,799,532**	**3.91%**	**$78,762,404**
Total Levy Rate:	1.0260%		1.0232%		1.0226%		1.0231%		1.0218%		1.0218%
Total Est. Revenue:	**$635,414**	**6.59%**	**$677,294**	**4.69%**	**$709,040**	**3.15%**	**$731,344**	**5.90%**	**$774,512**	**3.91%**	**$804,794**
Actual Revenues Paid by County (3):	649,059		630,459		720,303		748,145		781,158		N/A
Property Tax Administration Costs:	(11,370)		(11,817)		(11,487)		(14,345)		(8,731)		N/A
Net Revenue Paid:	**$637,689**	**-2.99%**	**$618,642**	**14.58%**	**$708,816**	**3.52%**	**$733,801**	**5.26%**	**$772,427**		N/A

(1) County of Riverside Auditor Controller Annual District Assessed Value Forms.

(2) Nonunitary utility property is assessed by the State Board of Equalization.

(3) County of Riverside Auditor Controller Remittance Advice Forms. These are not yet available for 1998-99. Revenues Paid by County to Redevelopment Project Areas include Current Secured, Unsecured and Supplemental; Homeowners; Unitary Utility; Prior Secured, Unsecured and Supplemental; and County Pass Through Withheld.

(4) Preliminary assessed values as reported by the County of Riverside Auditor Controller prior to equalization of the roll. The 1997-98 Utility value and Total Levy Rate were assumed for 1998-99

TABLE 1 - b

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

CENTRAL INDUSTRIAL - 1984 ADDED AREA

HISTORICAL ASSESSED VALUATIONS AND TAX INCREMENT RECEIPTS

	1993-94	% CHANGE	1994-95	% CHANGE	1995-96	% CHANGE	1996-97	% CHANGE	1997-98	% CHANGE	1998-99 (4)
Assessed Values (1):											
SECURED:	$118,302,515		$116,537,726		$106,825,281		$97,692,727		$100,255,576		$103,847,268
UNSECURED:	13,546,504		15,102,226		13,943,076		13,069,975		12,266,948		17,139,198
UTILITY (2):	-		-		-		-		-		-
TOTAL AV:	**$131,849,019**	-0.16%	**$131,639,952**	-8.26%	**$120,768,357**	-8.28%	**$110,762,702**	1.59%	**$112,522,524**	7.52%	**$120,986,466**
LESS BASE YEAR:	(74,953,304)		(70,600,901)		(70,600,901)		(70,600,901)		(70,600,901)		(70,600,901)
INCREMENTAL AV:	**$56,895,715**	7.28%	**$61,039,051**	-17.81%	**$50,167,456**	-19.94%	**$40,161,801**	4.38%	**$41,921,623**	20.19%	**$50,385,565**
Total Levy Rate:	1.0260%		1.0232%		1.0226%		1.0231%		1.0218%		1.0218%
Total Est. Revenue:	**$583,773**	6.98%	**$624,533**	-17.86%	**$513,022**	-19.91%	**$410,879**	4.25%	**$428,351**	20.19%	**$514,840**
Actual Revenues Paid by County (3):	597,409		551,675		512,077		385,140		430,580		N/A
Property Tax Administration Costs:	(10,286)		(10,189)		(10,432)		(10,324)		(3,489)		N/A
Net Revenue Paid:	**$587,123**	-7.77%	**$541,485**	-7.36%	**$501,645**	-25.28%	**$374,815**	13.95%	**$427,091**		N/A

(1) County of Riverside Auditor Controller Annual District Assessed Value Forms.

(2) Nonunitary utility property is assessed by the State Board of Equalization.

(3) County of Riverside Auditor Controller Remittance Advice Forms. These are not yet available for 1998-99. Revenues Paid by County to Redevelopment Project Areas include Current Secured, Unsecured and Supplemental; Homeowners; Unitary Utility; Prior Secured, Unsecured and Supplemental; and County Pass Through Withheld.

(4) Preliminary assessed values as reported by the County of Riverside Auditor Controller prior to equalization of the roll. The 1997-98 Utility value and Total Levy Rate were assumed for 1998-99.

TABLE 1 - c

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

CENTRAL INDUSTRIAL - 1997 ADDED AREA

HISTORICAL ASSESSED VALUATIONS AND TAX INCREMENT RECEIPTS

	1996-97 (Base Year)	1997-98 (3)	1998-99 (4)
Assessed Values :			
SECURED:	$7,811,352	N/A	$8,096,111
UNSECURED:	$215,146	N/A	-
UTILITY [1]:	-	N/A	-
TOTAL AV:	**$8,026,498**	N/A	**$8,096,111**
LESS BASE YEAR:	-	N/A	(8,026,498)
INCREMENTAL AV:	-	N/A	**$69,613**
Total Levy Rate:	N/A	N/A	N/A
Total Est. Revenue:	N/A	N/A	N/A
Actual Revenues Paid by County (2):	N/A	N/A	N/A
Property Tax Administration Costs:	N/A	N/A	N/A
Net Revenue Paid:	N/A	N/A	N/A

(1) Nonunitary utility property is assessed by the State Board of Equalization and has not been finalized.

(2) County of Riverside Auditor Controller Remittance Advice Forms. These are not yet available for 1998-99. Revenues Paid by County to Redevelopment Project Areas include Current Secured, Unsecured and Supplemental; Homeowners; Unitary Utility; Prior Secured, Unsecured and Supplemental; and County Pass Through Withheld.

(3) Values are unavailable because the Project is not eligible to receive tax increment until FY 1998-99.

(4) Preliminary assessed values as reported by the County of Riverside Auditor Controller prior to equalization of the roll.

TABLE 1 - d

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

SYCAMORE CANYON / BOX SPRINGS INDUSTRIAL PARK ORIGINAL AREA

HISTORICAL ASSESSED VALUATIONS AND TAX INCREMENT RECEIPTS

	1993-94	% CHANGE	1994-95	% CHANGE	1995-96	% CHANGE	1996-97	% CHANGE	1997-98	% CHANGE	1998-99 (4)
Assessed Values (1):											
SECURED:	$71,143,900		$80,801,511		$133,964,754		$120,775,568		$134,357,466		$132,218,536
UNSECURED:	1,060,928		1,717,603		15,016,575		9,973,796		18,919,155		18,247,494
UTILITY (2):	-		-		-		-		-		-
TOTAL AV:	**$72,204,828**	**14.28%**	**$82,519,114**	**80.54%**	**$148,981,329**	**-12.24%**	**$130,749,364**	**17.23%**	**$153,276,621**	**-1.83%**	**$150,466,030**
LESS: BASE YEAR:	(7,673,718)		(7,673,718)		(7,673,718)		(7,673,718)		(7,673,718)		(7,673,718)
INCREMENTAL AV:	**$64,531,110**	**15.98%**	**$74,845,396**	**88.80%**	**$141,307,611**	**-12.90%**	**$123,075,646**	**18.30%**	**$145,602,903**	**-1.93%**	**$142,792,312**
Total Levy Rate:	1.0299%		1.0314%		1.0314%		1.0312%		1.0315%		1.0315%
Total Est. Revenue:	**$664,606**	**16.15%**	**$771,955**	**88.80%**	**$1,457,447**	**-12.92%**	**$1,269,156**	**18.34%**	**$1,501,894**	**-1.93%**	**$1,472,903**
Actual Revenues Paid by County (3):	745,760		756,120		1,600,499		1,370,706		1,486,679		N/A
Property Tax Administration Costs:	(11,659)		(12,163)		(13,391)		(29,196)		(18,027)		N/A
Net Revenue Paid:	**$734,101**	**1.34%**	**$743,956**	**113.33%**	**$1,587,108**	**-15.47%**	**$1,341,510**	**9.48%**	**$1,468,652**		N/A

(1) County of Riverside Auditor Controller Annual District Assessed Value Forms.

(2) Nonunitary utility property is assessed by the State Board of Equalization.

(3) County of Riverside Auditor Controller Remittance Advice Forms. These are not yet available for 1998-99. Revenues Paid by County to Redevelopment Project Areas include Current Secured, Unsecured and Supplemental; Homeowners; Unitary Utility; Prior Secured, Unsecured and Supplemental; and County Pass Through Withheld.

(4) Preliminary assessed values as reported by the County of Riverside Auditor Controller prior to equalization of the roll. The 1997-98 Utility value and Total Levy Rate were assumed for 1998-99.

TABLE 1 - e

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

SYCAMORE CANYON / BOX SPRINGS INDUSTRIAL PARK - 1997 ADDED AREA

HISTORICAL ASSESSED VALUATIONS AND TAX INCREMENT RECEIPTS

	1996-97 (Base Year)	1997-98 (3)	1998-99 (4)
Assessed Values :			
SECURED:	$5,599,476	N/A	N/A
UNSECURED:	-	N/A	N/A
UTILITY [1]:	-	N/A	N/A
TOTAL AV:	**$5,599,476**	N/A	N/A
LESS BASE YEAR:	-	N/A	N/A
INCREMENTAL AV:	-	N/A	N/A
Total Levy Rate:	N/A	N/A	N/A
Total Est. Revenue:	N/A	N/A	N/A
Actual Revenues Paid by County [2]:	N/A	N/A	N/A
Property Tax Administration Costs:	N/A	N/A	N/A
Net Revenue Paid:	N/A	N/A	N/A

[1] Nonunitary utility property is assessed by the State Board of Equalization and has not been finalized.

[2] County of Riverside Auditor Controller Remittance Advice Forms. These are not yet available for 1998-99. Revenues Paid by County to Redevelopment Project Areas include Current Secured, Unsecured and Supplemental; Homeowners; Unitary Utility; Prior Secured, Unsecured and Supplemental; and County Pass Through Withheld.

[3] Values are unavailable because the Project is not eligible to receive tax increment until FY 1998-99.

[4] Preliminary assessed values as reported by the County of Riverside Auditor Controller have not yet been assigned for this Area

TABLE 2 - a

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

MERGED PROJECT AREA
CENTRAL INDUSTRIAL AND SYCAMORE CANYON / BOX SPRINGS INDUSTRIAL PARK
PROJECTED TAX INCREMENT REVENUES

Year		Total Merged Area Tax Increment	Cumulative Tax Increment	Housing Fund	Total Pass-Thrus Unsubord.	Remaining After L/M & Pass Thru Payments	Total Pass-Thrus Subordinate	Less Developer Payments Subordinate	Remaining After L/M, Devlpr, & All Pass Thru Payments
Base Year AV	*Thru 1996-97:*		20,208,134						
1	1997-98	2,496,116	22,704,250	499,223	230,905	1,765,988	5,681	-	$1,760,307
2	1998-99	2,587,388	25,291,637	517,478	237,665	1,832,245	6,246	-	$1,825,999
3	1999-00	2,662,663	27,954,300	532,533	337,850	1,792,280	6,464	280,782	$1,505,035
4	2000-01	2,726,613	30,680,913	545,323	544,745	1,636,545	6,632	286,629	$1,343,284
5	2001-02	2,791,842	33,472,755	558,368	583,115	1,650,359	11,340	292,594	$1,346,425
6	2002-03	2,858,376	36,331,131	571,675	597,518	1,689,183	11,632	298,677	$1,378,875
7	2003-04	2,926,241	39,257,372	585,248	612,208	1,728,784	13,241	304,947	$1,410,597
8	2004-05	2,995,463	42,252,834	599,093	627,192	1,769,178	15,078	311,518	$1,442,582
9	2005-06	3,066,069	45,318,903	613,214	645,113	1,807,742	16,952	318,221	$1,472,570
10	2006-07	3,138,087	48,456,990	627,617	791,351	1,719,119	24,007	325,058	$1,370,054
11	2007-08	3,211,546	51,668,536	642,309	1,024,008	1,545,229	26,085	332,032	$1,187,112
12	2008-09	3,286,474	54,955,010	657,295	1,046,898	1,582,281	52,049	86,438	$1,443,795
13	2009-10	3,362,901	58,317,911	672,580	1,070,245	1,620,075	54,803	1,592	$1,563,680
14	2010-11	3,440,856	61,758,766	688,171	1,096,971	1,655,713	57,613	1,865	$1,596,236
15	2011-12	3,520,370	65,279,136	704,074	1,067,070	1,749,226	60,478		$1,688,747
16	2012-13	3,601,474	68,880,610	720,295	1,091,906	1,789,273	63,401		$1,725,872
17	2013-14	3,684,201	72,564,811	736,840	1,117,239	1,830,122	66,383		$1,763,739
18	2014-15	3,768,582	76,333,393	753,716	1,143,078	1,871,787	69,424		$1,802,363
19	2015-16	3,854,651	80,188,043	770,930	1,173,454	1,910,267	72,526		$1,837,741
20	2016-17	3,942,441	84,130,484	788,488	1,200,418	1,953,535	75,690		$1,877,845
21	2017-18	4,031,986	88,162,470	806,397	1,227,921	1,997,668	78,917		$1,918,751
22	2018-19	4,123,323	92,285,794	824,665	1,255,974	2,042,685	82,209		$1,960,476
23	2019-20	4,216,487	96,502,280	843,297	1,284,588	2,088,601	85,567		$2,003,035
24	2020-21	4,311,514	100,813,794	862,303	1,359,937	2,089,273	88,991		$2,000,282
25	2021-22	4,408,441	105,222,235	881,688	1,390,633	2,136,120	92,485		$2,043,635
26	2022-23	4,507,307	109,729,541	901,461	1,421,942	2,183,903	96,048		$2,087,855
27	2023-24	4,608,150	114,337,691	921,630	1,453,878	2,232,642	99,682		$2,132,960
28	2024-25	4,711,010	119,048,701	942,202	1,486,452	2,282,356	103,389		$2,178,966
29	2025-26	4,815,927	123,864,628	963,185	1,519,678	2,333,064	107,171		$2,225,893
30	2026-27	4,922,943	128,787,571	984,589	1,554,101	2,384,253	111,027		$2,273,226
		108,579,437				56,669,496			52,167,934

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

COMBINED CENTRAL INDUSTRIAL - ORIGINAL AREA & 1984 ADDED AREA

PROJECTED TAX INCREMENT REVENUES

Year		Original Area Total Tax Increment	Added Area Total Tax Increment	Less Increment from 10% Appeal Reduction	Combined Total Tax Inc Generated	Cumulative Tax Increment	Housing Fund	Total Pass-Thrus Unsubord.	Total Pass-Thrus Subordinate	Remaining After L/M & Pass-Thrus
Base Year AV		*Thru 1996-97:*				13,720,465				
1	1997-98	773,186	424,905	47,824	1,150,268	14,870,733	230,054	117,187	5,681	797,346
2	1998-99	802,815	509,545	47,824	1,264,536	16,135,268	252,907	126,225	6,246	879,158
3	1999-00	815,762	540,744	47,824	1,308,683	17,443,951	261,737	222,525	6,464	817,957
4	2000-01	828,469	562,138	47,824	1,342,782	18,786,733	268,556	424,488	6,632	643,106
5	2001-02	841,429	583,959	47,824	1,377,564	20,164,297	275,513	459,021	11,340	631,691
6	2002-03	854,648	606,217	47,824	1,413,041	21,577,338	282,608	469,509	11,632	649,292
7	2003-04	868,132	628,920	47,824	1,449,228	23,026,566	289,846	480,208	13,241	665,934
8	2004-05	881,886	652,077	47,824	1,486,139	24,512,705	297,228	491,120	15,078	682,713
9	2005-06	895,915	675,697	47,824	1,523,787	26,036,493	304,757	502,250	16,952	699,828
10	2006-07	910,224	699,789	47,824	1,562,189	27,598,682	312,438	513,603	24,007	712,142
11	2007-08	924,819	724,364	47,824	1,601,359	29,200,041	320,272	525,183	26,085	729,819
12	2008-09	939,707	749,429	47,824	1,641,312	30,841,353	328,262	536,995	52,049	724,006
13	2009-10	954,892	774,997	47,824	1,682,065	32,523,418	336,413	549,043	54,803	741,806
14	2010-11	970,381	801,075	47,824	1,723,632	34,247,049	344,726	561,332	57,613	759,961
15	2011-12	986,179	827,675	47,824	1,766,030	36,013,080	353,206	519,616	60,478	832,730
16	2012-13	1,002,294	854,807	47,824	1,809,277	37,822,357	361,855	532,402	63,401	851,619
17	2013-14	1,018,731	882,482	47,824	1,853,389	39,675,746	370,678	545,443	66,383	870,885
18	2014-15	1,035,496	910,710	47,824	1,898,382	41,574,128	379,676	558,745	69,424	890,537
19	2015-16	1,052,597	939,503	47,824	1,944,276	43,518,404	388,855	572,312	72,526	910,582
20	2016-17	1,070,040	968,871	47,824	1,991,088	45,509,492	398,218	586,152	75,690	931,028
21	2017-18	1,087,832	998,827	47,824	2,038,835	47,548,327	407,767	600,268	78,917	951,883
22	2018-19	1,105,980	1,029,383	47,824	2,087,538	49,635,866	417,508	614,666	82,209	973,155
23	2019-20	1,124,490	1,060,549	47,824	2,137,215	51,773,081	427,443	629,352	85,567	994,853
24	2020-21	1,143,371	1,092,338	47,824	2,187,885	53,960,966	437,577	644,333	88,991	1,016,984
25	2021-22	1,162,629	1,124,764	47,824	2,239,569	56,200,535	447,914	659,612	92,485	1,039,558
26	2022-23	1,182,273	1,157,837	47,824	2,292,286	58,492,821	458,457	675,197	96,048	1,062,584
27	2023-24	1,202,309	1,191,573	47,824	2,346,058	60,838,880	469,212	691,094	99,682	1,086,070
28	2024-25	1,222,747	1,225,983	47,824	2,400,905	63,239,785	480,181	707,309	103,389	1,110,026
29	2025-26	1,243,592	1,261,081	47,824	2,456,849	65,696,634	491,370	723,849	107,171	1,134,460
30	2026-27	1,264,855	1,296,881	47,824	2,513,913	68,210,547	502,783	740,719	111,027	1,159,384
					54,490,082					25,951,099

Limits:

Project Area Tax Increment Limit - $619,000,000 net Low/Mod

Increment Collection - 12/20/33

TABLE 2 - c

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

CENTRAL INDUSTRIAL ORIGINAL AREA

PROJECTED TAX INCREMENT REVENUES

Year		Secured Assessed Values 2.00%	New Construction	Unsecured, & Utility Values 0.00%	Total Assessed Value	Incremental Value	Gross Tax Increment 1.00%	Unitary Utility Revenue	Total Tax Increment Generated	Cumulative Tax Increment	Housing Fund
Base Year AV		10,826,226		4,477,220	15,303,446						
1	1997-98	60,949,902	0	30,153,076	91,102,978	75,799,532	757,995	15,191	773,186	773,186	154,637
2	1998-99	62,236,407	0	31,829,443	94,065,850	78,762,404	787,624	15,191	802,815	1,576,001	160,563
3	1999-00	63,481,135	50,000	31,829,443	95,360,578	80,057,132	800,571	15,191	815,762	2,391,764	163,152
4	2000-01	64,801,758	0	31,829,443	96,631,201	81,327,755	813,278	15,191	828,469	3,220,232	165,694
5	2001-02	66,097,793	0	31,829,443	97,927,236	82,623,790	826,238	15,191	841,429	4,061,661	168,286
6	2002-03	67,419,749	0	31,829,443	99,249,192	83,945,746	839,457	15,191	854,648	4,916,310	170,930
7	2003-04	68,768,144	0	31,829,443	100,597,587	85,294,141	852,941	15,191	868,132	5,784,442	173,626
8	2004-05	70,143,507	0	31,829,443	101,972,950	86,669,504	866,695	15,191	881,886	6,666,328	176,377
9	2005-06	71,546,377	0	31,829,443	103,375,820	88,072,374	880,724	15,191	895,915	7,562,243	179,183
10	2006-07	72,977,304	0	31,829,443	104,806,747	89,503,301	895,033	15,191	910,224	8,472,467	182,045
11	2007-08	74,436,850	0	31,829,443	106,266,293	90,962,847	909,628	15,191	924,819	9,397,286	184,964
12	2008-09	75,925,587	0	31,829,443	107,755,030	92,451,584	924,516	15,191	939,707	10,336,993	187,941
13	2009-10	77,444,099	0	31,829,443	109,273,542	93,970,096	939,701	15,191	954,892	11,291,885	190,978
14	2010-11	78,992,981	0	31,829,443	110,822,424	95,518,978	955,190	15,191	970,381	12,262,266	194,076
15	2011-12	80,572,841	0	31,829,443	112,402,284	97,098,838	970,988	15,191	986,179	13,248,445	197,236
16	2012-13	82,184,298	0	31,829,443	114,013,741	98,710,295	987,103	15,191	1,002,294	14,250,739	200,459
17	2013-14	83,827,984	0	31,829,443	115,657,427	100,353,981	1,003,540	15,191	1,018,731	15,269,470	203,746
18	2014-15	85,504,543	0	31,829,443	117,333,986	102,030,540	1,020,305	15,191	1,035,496	16,304,966	207,099
19	2015-16	87,214,634	0	31,829,443	119,044,077	103,740,631	1,037,406	15,191	1,052,597	17,357,564	210,519
20	2016-17	88,958,927	0	31,829,443	120,788,370	105,484,924	1,054,849	15,191	1,070,040	18,427,604	214,008
21	2017-18	90,738,105	0	31,829,443	122,567,548	107,264,102	1,072,641	15,191	1,087,832	19,515,436	217,566
22	2018-19	92,552,867	0	31,829,443	124,382,310	109,078,864	1,090,789	15,191	1,105,980	20,621,416	221,196
23	2019-20	94,403,925	0	31,829,443	126,233,368	110,929,922	1,109,299	15,191	1,124,490	21,745,906	224,898
24	2020-21	96,292,003	0	31,829,443	128,121,446	112,818,000	1,128,180	15,191	1,143,371	22,889,277	228,674
25	2021-22	98,217,843	0	31,829,443	130,047,286	114,743,840	1,147,438	15,191	1,162,629	24,051,906	232,526
26	2022-23	100,182,200	0	31,829,443	132,011,643	116,708,197	1,167,082	15,191	1,182,273	25,234,179	236,455
27	2023-24	102,185,844	0	31,829,443	134,015,287	118,711,841	1,187,118	15,191	1,202,309	26,436,489	240,462
28	2024-25	104,229,561	0	31,829,443	136,059,004	120,755,558	1,207,556	15,191	1,222,747	27,659,235	244,549
29	2025-26	106,314,152	0	31,829,443	138,143,595	122,840,149	1,228,401	15,191	1,243,592	28,902,828	248,718
30	2026-27	108,440,435	0	31,829,443	140,269,878	124,966,432	1,249,664	15,191	1,264,855	30,167,683	252,971
			50,000						30,167,683		

Limits:
Project Area Tax Increment Limit - $619,000,000 net Low/Mod
Increment Collection - 12/20/33

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

CENTRAL INDUSTRIAL - 1984 ADDED AREA

PROJECTED TAX INCREMENT REVENUES

Year		Secured Assessed Values 2.00%	New Construction	Unsecured, & Utility Values 0.00%	Total Assessed Value	Incremental Value	Gross Tax Increment 1.00%	Unitary Utility Revenue	Total Tax Increment Generated	Cumulative Tax Increment	Housing Fund
Base Year AV		64,161,857		6,439,044	70,600,901						
1	1997-98	100,255,576	0	12,266,948	112,522,524	41,921,623	419,216	5,689	424,905	424,905	84,981
2	1998-99	103,847,268	0	17,139,198	120,986,466	50,385,565	503,856	5,689	509,545	934,450	101,909
3	1999-00	105,924,213	1,043,018	17,139,198	124,106,429	53,505,528	535,055	5,689	540,744	1,475,194	108,149
4	2000-01	109,106,576	0	17,139,198	126,245,774	55,644,873	556,449	5,689	562,138	2,037,332	112,428
5	2001-02	111,288,708	0	17,139,198	128,427,906	57,827,005	578,270	5,689	583,959	2,621,291	116,792
6	2002-03	113,514,482	0	17,139,198	130,653,680	60,052,779	600,528	5,689	606,217	3,227,508	121,243
7	2003-04	115,784,771	0	17,139,198	132,923,969	62,323,068	623,231	5,689	628,920	3,856,427	125,784
8	2004-05	118,100,467	0	17,139,198	135,239,665	64,638,764	646,388	5,689	652,077	4,508,504	130,415
9	2005-06	120,462,476	0	17,139,198	137,601,674	67,000,773	670,008	5,689	675,697	5,184,201	135,139
10	2006-07	122,871,726	0	17,139,198	140,010,924	69,410,023	694,100	5,689	699,789	5,883,990	139,958
11	2007-08	125,329,160	0	17,139,198	142,468,358	71,867,457	718,675	5,689	724,364	6,608,354	144,873
12	2008-09	127,835,743	0	17,139,198	144,974,941	74,374,040	743,740	5,689	749,429	7,357,783	149,886
13	2009-10	130,392,458	0	17,139,198	147,531,656	76,930,755	769,308	5,689	774,997	8,132,780	154,999
14	2010-11	133,000,307	0	17,139,198	150,139,505	79,538,604	795,386	5,689	801,075	8,933,855	160,215
15	2011-12	135,660,313	0	17,139,198	152,799,511	82,198,610	821,986	5,689	827,675	9,761,530	165,535
16	2012-13	138,373,520	0	17,139,198	155,512,718	84,911,817	849,118	5,689	854,807	10,616,337	170,961
17	2013-14	141,140,990	0	17,139,198	158,280,188	87,679,287	876,793	5,689	882,482	11,498,819	176,496
18	2014-15	143,963,810	0	17,139,198	161,103,008	90,502,107	905,021	5,689	910,710	12,409,529	182,142
19	2015-16	146,843,086	0	17,139,198	163,982,284	93,381,383	933,814	5,689	939,503	13,349,032	187,901
20	2016-17	149,779,948	0	17,139,198	166,919,146	96,318,245	963,182	5,689	968,871	14,317,903	193,774
21	2017-18	152,775,547	0	17,139,198	169,914,745	99,313,844	993,138	5,689	998,827	15,316,730	199,765
22	2018-19	155,831,058	0	17,139,198	172,970,256	102,369,355	1,023,694	5,689	1,029,383	16,346,113	205,877
23	2019-20	158,947,679	0	17,139,198	176,086,877	105,485,976	1,054,860	5,689	1,060,549	17,406,662	212,110
24	2020-21	162,126,632	0	17,139,198	179,265,830	108,664,929	1,086,649	5,689	1,092,338	18,499,000	218,468
25	2021-22	165,369,165	0	17,139,198	182,508,363	111,907,462	1,119,075	5,689	1,124,764	19,623,764	224,953
26	2022-23	168,676,548	0	17,139,198	185,815,746	115,214,845	1,152,148	5,689	1,157,837	20,781,601	231,567
27	2023-24	172,050,079	0	17,139,198	189,189,277	118,588,376	1,185,884	5,689	1,191,573	21,973,174	238,315
28	2024-25	175,491,081	0	17,139,198	192,630,279	122,029,378	1,220,294	5,689	1,225,983	23,199,157	245,197
29	2025-26	179,000,903	0	17,139,198	196,140,101	125,539,200	1,255,392	5,689	1,261,081	24,460,238	252,216
30	2026-27	182,580,921	0	17,139,198	199,720,119	129,119,218	1,291,192	5,689	1,296,881	25,757,119	259,376
31	2027-28	186,232,539	0	17,139,198	203,371,737	132,770,836	1,327,708	5,689	1,333,397	27,090,516	266,679
32	2028-29	189,957,190	0	17,139,198	207,096,388	136,495,487	1,364,955	5,689	1,370,644	28,461,160	274,129
33	2029-30	193,756,334	0	17,139,198	210,895,532	140,294,631	1,402,946	5,689	1,408,635	29,869,795	281,727
34	2030-31	197,631,460	0	17,139,198	214,770,658	144,169,757	1,441,698	5,689	1,447,387	31,317,182	289,477
35	2031-32	201,584,090	0	17,139,198	218,723,288	148,122,387	1,481,224	5,689	1,486,913	32,804,095	297,383
36	2032-33	205,615,771	0	17,139,198	222,754,969	152,154,068	1,521,541	5,689	1,527,230	34,331,325	305,446
37	2033-34	209,728,087	0	17,139,198	226,867,285	156,266,384	1,562,664	5,689	1,568,353	35,899,677	313,671
38	2034-35	213,922,648	0	17,139,198	231,061,846	160,460,945	1,604,609	5,689	1,610,298	37,509,976	322,060
			1,043,018						37,509,976		

Limits:
Project Area Tax Increment Limit - $619,000,000 net Low/Mod
Increment Collection - 12/20/33

TABLE 2 - e

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

CENTRAL INDUSTRIAL - 1997 ADDED AREA

PROJECTED TAX INCREMENT REVENUES

Year	Secured Assessed Values 2.00%	New Constru.	Unsecured, & Utility Values 0.00%	Total Assessed Value	Incremental Value	Gross Tax Increment 1.00%	Unitary Utility Revenue	Total Tax Increment Generated	Cumulative Tax Increment	Housing Fund	AB1290 STATUTORY PASS-THROUGHS Tier I 25%	Tier II 21%	Tier III 14%	Total Pass Thrus	Revenue Net of P/T & L/M	Cumulative Remaining Revenue
Base Yr AV	7,811,352		215,146	8,026,498												
1 1997-9	7,967,579	0	215,146	8,182,725	-	-	-	-	-	-	-	-	-	-	-	-
2 1998-9	8,096,111	0	215,146	8,311,257	284,759	2,848	0	2,848	2,848	570	570			570	1,709	1,709
3 1999-0	8,258,033	0	215,146	8,473,179	446,681	4,467	0	4,467	7,314	893	893			893	2,680	4,389
4 2000-0	8,423,194	0	215,146	8,638,340	611,842	6,118	0	6,118	13,433	1,224	1,224			1,224	3,671	8,060
5 2001-0	8,591,658	0	215,146	8,806,804	780,306	7,803	0	7,803	21,236	1,561	1,561			1,561	4,682	12,742
6 2002-0	8,763,491	0	215,146	8,978,637	952,139	9,521	0	9,521	30,757	1,904	1,904			1,904	5,713	18,454
7 2003-0	8,938,761	0	215,146	9,153,907	1,127,409	11,274	0	11,274	42,031	2,255	2,255			2,255	6,764	25,219
8 2004-0	9,117,536	0	215,146	9,332,682	1,306,184	13,062	0	13,062	55,093	2,612	2,612			2,612	7,837	33,056
9 2005-0	9,299,887	0	215,146	9,515,033	1,488,535	14,885	0	14,885	69,979	2,977	2,977			2,977	8,931	41,987
10 2006-0	9,485,884	0	215,146	9,701,030	1,674,532	16,745	0	16,745	86,724	3,349	3,349	312		3,662	9,735	51,722
11 2007-0	9,675,602	0	215,146	9,890,748	1,864,250	18,643	0	18,643	105,366	3,729	3,729	631		4,360	10,554	62,276
12 2008-0	9,869,114	0	215,146	10,084,260	2,057,762	20,578	0	20,578	125,944	4,116	4,116	956		5,072	11,390	73,666
13 2009-1	10,066,496	0	215,146	10,281,642	2,255,144	22,551	0	22,551	148,495	4,510	4,510	1,288		5,798	12,243	85,909
14 2010-1	10,267,826	0	215,146	10,482,972	2,456,474	24,565	0	24,565	173,060	4,913	4,913	1,626		6,539	13,113	99,022
15 2011-1	10,473,183	0	215,146	10,688,329	2,661,831	26,618	0	26,618	199,678	5,324	5,324	1,971		7,295	14,000	113,022
16 2012-1	10,682,647	0	215,146	10,897,793	2,871,295	28,713	0	28,713	228,391	5,743	5,743	2,323		8,066	14,905	127,927
17 2013-1	10,896,299	0	215,146	11,111,445	3,084,947	30,849	0	30,849	259,241	6,170	6,170	2,682		8,852	15,828	143,754
18 2014-1	11,114,225	0	215,146	11,329,371	3,302,873	33,029	0	33,029	292,270	6,606	6,606	3,048		9,654	16,769	160,524
19 2015-1	11,336,510	0	215,146	11,551,656	3,525,158	35,252	0	35,252	327,521	7,050	7,050	3,422		10,472	17,729	178,253
20 2016-1	11,563,240	0	215,146	11,778,386	3,751,888	37,519	0	37,519	365,040	7,504	7,504	3,802		11,306	18,709	196,962
21 2017-1	11,794,505	0	215,146	12,009,651	3,983,153	39,832	0	39,832	404,872	7,966	7,966	4,191		12,157	19,708	216,670
22 2018-1	12,030,395	0	215,146	12,245,541	4,219,043	42,190	0	42,190	447,062	8,438	8,438	4,587		13,025	20,727	237,397
23 2019-2	12,271,003	0	215,146	12,486,149	4,459,651	44,597	0	44,597	491,659	8,919	8,919	4,991		13,911	21,766	259,163
24 2020-2	12,516,423	0	215,146	12,731,569	4,705,071	47,051	0	47,051	538,709	9,410	9,410	5,404		14,814	22,827	281,990
25 2021-2	12,766,751	0	215,146	12,981,897	4,955,399	49,554	0	49,554	588,263	9,911	9,911	5,824		15,735	23,908	305,898
26 2022-2	13,022,087	0	215,146	13,237,233	5,210,735	52,107	0	52,107	640,371	10,421	10,421	6,253		16,675	25,011	330,909
27 2023-2	13,282,528	0	215,146	13,497,674	5,471,176	54,712	0	54,712	695,082	10,942	10,942	6,691		17,633	26,136	357,045
28 2024-2	13,548,179	0	215,146	13,763,325	5,736,827	57,368	0	57,368	752,451	11,474	11,474	7,137		18,611	27,284	384,329
29 2025-2	13,819,142	0	215,146	14,034,288	6,007,790	60,078	0	60,078	812,529	12,016	12,016	7,592		19,608	28,454	412,783
30 2026-2	14,095,525	0	215,146	14,310,671	6,284,173	62,842	0	62,842	875,370	12,568	12,568	8,057	310	20,935	29,339	442,122
		0						875,370							442,122	4,666,959

Note: 1997-98 assessed values have been included for information purposes only; secured assessed values for 1997-98 have been trended at a growth rate of 2%.

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

SYCAMORE CANYON / BOX SPRINGS INDUSTRIAL PARK - ORIGINAL AREA

PROJECTED TAX INCREMENT REVENUES

Year		Secured Assessed Values 2.00%	New Construction	Unsecured, & Utility Values 0.00%	Total Assessed Value	Incremental Value	Gross Tax Increment 1.00%	Less Incrmt from 10% Appeal Reduction	Unitary Utility Revenue	Total Tax Increment Generated	Cumulative Tax Increment	Housing Fund	Total Pass Thrus	Revenue Net of P/T & L/M
Base Year AV		7,673,718		0	7,673,718					*Thru 1996-97:*	6,487,669			
1	1997-98	134,357,466	0	18,919,155	153,276,621	145,602,903	1,456,029	116,984	6,803	1,345,848	7,833,517	269,170	113,718	962,960
2	1998-99	132,218,536	0	18,247,494	150,466,030	142,792,312	1,427,923	116,984	6,803	1,317,742	9,151,259	263,548	110,419	943,775
3	1999-00	134,862,907	190,000	18,247,494	153,300,401	145,626,683	1,456,267	116,984	6,803	1,346,086	10,497,345	269,217	113,746	963,123
4	2000-01	137,753,965	0	18,247,494	156,001,459	148,327,741	1,483,277	116,984	6,803	1,373,096	11,870,441	274,619	118,110	980,367
5	2001-02	140,509,044	0	18,247,494	158,756,538	151,082,820	1,510,828	116,984	6,803	1,400,647	13,271,089	280,129	121,368	999,150
6	2002-03	143,319,225	0	18,247,494	161,566,719	153,893,001	1,538,930	116,984	6,803	1,428,749	14,699,838	285,750	124,691	1,018,308
7	2003-04	146,185,610	0	18,247,494	164,433,104	156,759,386	1,567,594	116,984	6,803	1,457,413	16,157,250	291,483	128,081	1,037,850
8	2004-05	149,109,322	0	18,247,494	167,356,816	159,683,098	1,596,831	116,984	6,803	1,486,650	17,643,900	297,330	131,538	1,057,782
9	2005-06	152,091,508	0	18,247,494	170,339,002	162,665,284	1,626,653	116,984	6,803	1,516,472	19,160,372	303,294	137,701	1,075,477
10	2006-07	155,133,338	0	18,247,494	173,380,832	165,707,114	1,657,071	116,984	6,803	1,546,890	20,707,262	309,378	271,409	966,103
11	2007-08	158,236,005	0	18,247,494	176,483,499	168,809,781	1,688,098	116,984	6,803	1,577,917	22,285,179	315,583	491,286	771,048
12	2008-09	161,400,725	0	18,247,494	179,648,219	171,974,501	1,719,745	116,984	6,803	1,609,564	23,894,743	321,913	501,139	786,512
13	2009-10	164,628,740	0	18,247,494	182,876,234	175,202,516	1,752,025	116,984	6,803	1,641,844	25,536,587	328,369	511,189	802,286
14	2010-11	167,921,314	0	18,247,494	186,168,808	178,495,090	1,784,951	116,984	6,803	1,674,770	27,211,357	334,954	524,352	815,463
15	2011-12	171,279,741	0	18,247,494	189,527,235	181,853,517	1,818,535	116,984	6,803	1,708,354	28,919,711	341,671	534,867	831,816
16	2012-13	174,705,336	0	18,247,494	192,952,830	185,279,112	1,852,791	116,984	6,803	1,742,610	30,662,322	348,522	545,592	848,496
17	2013-14	178,199,442	0	18,247,494	196,446,936	188,773,218	1,887,732	116,984	6,803	1,777,551	32,439,873	355,510	556,532	865,509
18	2014-15	181,763,431	0	18,247,494	200,010,925	192,337,207	1,923,372	116,984	6,803	1,813,191	34,253,064	362,638	567,691	882,862
19	2015-16	185,398,700	0	18,247,494	203,646,194	195,972,476	1,959,725	116,984	6,803	1,849,544	36,102,608	369,909	583,092	896,543
20	2016-17	189,106,674	0	18,247,494	207,354,168	199,680,450	1,996,804	116,984	6,803	1,886,623	37,989,231	377,325	594,781	914,517
21	2017-18	192,888,807	0	18,247,494	211,136,301	203,462,583	2,034,626	116,984	6,803	1,924,445	39,913,676	384,889	606,705	932,851
22	2018-19	196,746,583	0	18,247,494	214,994,077	207,320,359	2,073,204	116,984	6,803	1,963,023	41,876,699	392,605	618,867	951,551
23	2019-20	200,681,515	0	18,247,494	218,929,009	211,255,291	2,112,553	116,984	6,803	2,002,372	43,879,070	400,474	631,273	970,625
24	2020-21	204,695,145	0	18,247,494	222,942,639	215,268,921	2,152,689	116,984	6,803	2,042,508	45,921,579	408,502	690,089	943,918
25	2021-22	208,789,048	0	18,247,494	227,036,542	219,362,824	2,193,628	116,984	6,803	2,083,447	48,005,026	416,689	703,920	962,837
26	2022-23	212,964,829	0	18,247,494	231,212,323	223,538,605	2,235,386	116,984	6,803	2,125,205	50,130,231	425,041	718,029	982,135
27	2023-24	217,224,126	0	18,247,494	235,471,620	227,797,902	2,277,979	116,984	6,803	2,167,798	52,298,029	433,560	732,419	1,001,819
28	2024-25	221,568,608	0	18,247,494	239,816,102	232,142,384	2,321,424	116,984	6,803	2,211,243	54,509,272	442,249	747,098	1,021,896
29	2025-26	225,999,981	0	18,247,494	244,247,475	236,573,757	2,365,738	116,984	6,803	2,255,557	56,764,828	451,111	762,070	1,042,375
30	2026-27	230,519,980	0	18,247,494	248,767,474	241,093,756	2,410,938	116,984	6,803	2,300,757	59,065,585	460,151	777,341	1,063,264
31	2027-28	235,130,380	0	18,247,494	253,377,874	245,704,156	2,457,042	116,984	6,803	2,346,861	61,412,445	469,372	792,918	1,084,570
32	2028-29	239,832,987	0	18,247,494	258,080,481	250,406,763	2,504,068	116,984	6,803	2,393,887	63,806,332	478,777	808,807	1,106,303
33	2029-30	244,629,647	0	18,247,494	262,877,141	255,203,423	2,552,034	116,984	6,803	2,441,853	66,248,185	488,371	825,013	1,128,470
34	2030-31	249,522,240	0	18,247,494	267,769,734	260,096,016	2,600,960	116,984	6,803	2,490,779	68,738,965	498,156	841,543	1,151,080
35	2031-32	254,512,685	0	18,247,494	272,760,179	265,086,461	2,650,865	116,984	6,803	2,540,684	71,279,648	508,137	858,404	1,174,143
36	2032-33	259,602,938	0	18,247,494	277,850,432	270,176,714	2,701,767	116,984	6,803	2,591,586	73,871,234	518,317	875,602	1,197,667
37	2033-34	264,794,997	0	18,247,494	283,042,491	275,368,773	2,753,688	116,984	6,803	2,643,507	76,514,741	528,701	893,144	1,221,661
			190,000							70,027,072				36,357,115

Limits:
Project Area Tax Increment Limit - $619,000,000 net Low/Mod
Increment Collection - 12/20/33

TABLE 2 - g

Redevelopment Agency of the City of Riverside
1999 Tax Allocation Bonds

SYCAMORE CANYON / BOX SPRINGS INDUSTRIAL PARK - 1997 ADDED AREA

PROJECTED TAX INCREMENT REVENUES

Year	Secured Assessed Values 2.00%	New Constru.	Unsecured, & Utility Values 0.00%	Total Assessed Value	Incremental Value	Gross Tax Increment 1.00%	Unitary Utility Revenue	Total Tax Increment Generated	Cumulative Tax Increment	Housing Fund	AB1290 STATUTORY PASS-THROUGHS Tier I 25%	Tier II 21%	Tier III 14%	Total Pass Thrus	Revenue Net of P/T & L/M	Cumulative Remaining Revenue
Base Yr AV	5,599,476		0	5,599,476												
1 1997-9	5,711,466	0	0	5,711,466	-	-	-	-	-	-	-			-	-	-
2 1998-9	5,825,695	0	0	5,825,695	226,219	2,262	0	2,262	2,262	452	452			452	1,357	1,357
3 1999-0	5,942,209	0	0	5,942,209	342,733	3,427	0	3,427	5,690	685	685			685	2,056	3,414
4 2000-0	6,061,053	0	0	6,061,053	461,577	4,616	0	4,616	10,305	923	923			923	2,769	6,183
5 2001-0	6,182,274	0	0	6,182,274	582,798	5,828	0	5,828	16,133	1,166	1,166			1,166	3,497	9,680
6 2002-0	6,305,919	0	0	6,305,919	706,443	7,064	0	7,064	23,198	1,413	1,413			1,413	4,239	13,919
7 2003-0	6,432,038	0	0	6,432,038	832,562	8,326	0	8,326	31,523	1,665	1,665			1,665	4,995	18,914
8 2004-0	6,560,679	0	0	6,560,679	961,203	9,612	0	9,612	41,135	1,922	1,922			1,922	5,767	24,681
9 2005-0	6,691,892	0	0	6,691,892	1,092,416	10,924	0	10,924	52,060	2,185	2,185			2,185	6,554	31,236
10 2006-0	6,825,730	0	0	6,825,730	1,226,254	12,263	0	12,263	64,322	2,453	2,453	225		2,677	7,133	38,368
11 2007-0	6,962,245	0	0	6,962,245	1,362,769	13,628	0	13,628	77,950	2,726	2,726	454		3,180	7,722	46,091
12 2008-0	7,101,489	0	0	7,101,489	1,502,013	15,020	0	15,020	92,970	3,004	3,004	688		3,692	8,324	54,415
13 2009-1	7,243,519	0	0	7,243,519	1,644,043	16,440	0	16,440	109,410	3,288	3,288	927		4,215	8,938	63,352
14 2010-1	7,388,390	0	0	7,388,390	1,788,914	17,889	0	17,889	127,299	3,578	3,578	1,170		4,748	9,563	72,916
15 2011-1	7,536,157	0	0	7,536,157	1,936,681	19,367	0	19,367	146,666	3,873	3,873	1,418		5,292	10,202	83,117
16 2012-1	7,686,881	0	0	7,686,881	2,087,405	20,874	0	20,874	167,540	4,175	4,175	1,672		5,846	10,853	93,970
17 2013-1	7,840,618	0	0	7,840,618	2,241,142	22,411	0	22,411	189,952	4,482	4,482	1,930		6,412	11,517	105,487
18 2014-1	7,997,431	0	0	7,997,431	2,397,955	23,980	0	23,980	213,931	4,796	4,796	2,193		6,989	12,194	117,682
19 2015-1	8,157,379	0	0	8,157,379	2,557,903	25,579	0	25,579	239,510	5,116	5,116	2,462		7,578	12,885	130,567
20 2016-1	8,320,527	0	0	8,320,527	2,721,051	27,211	0	27,211	266,721	5,442	5,442	2,736		8,178	13,590	144,157
21 2017-1	8,486,937	0	0	8,486,937	2,887,461	28,875	0	28,875	295,595	5,775	5,775	3,016		8,791	14,309	158,466
22 2018-1	8,656,676	0	0	8,656,676	3,057,200	30,572	0	30,572	326,167	6,114	6,114	3,301		9,415	15,042	173,509
23 2019-2	8,829,810	0	0	8,829,810	3,230,334	32,303	0	32,303	358,471	6,461	6,461	3,592		10,052	15,790	189,299
24 2020-2	9,006,406	0	0	9,006,406	3,406,930	34,069	0	34,069	392,540	6,814	6,814	3,888		10,702	16,553	205,852
25 2021-2	9,186,534	0	0	9,186,534	3,587,058	35,871	0	35,871	428,411	7,174	7,174	4,191		11,365	17,331	223,184
26 2022-2	9,370,265	0	0	9,370,265	3,770,789	37,708	0	37,708	466,119	7,542	7,542	4,500		12,041	18,125	241,309
27 2023-2	9,557,670	0	0	9,557,670	3,958,194	39,582	0	39,582	505,700	7,916	7,916	4,815		12,731	18,935	260,243
28 2024-2	9,748,823	0	0	9,748,823	4,149,347	41,493	0	41,493	547,194	8,299	8,299	5,136		13,434	19,760	280,004
29 2025-2	9,943,800	0	0	9,943,800	4,344,324	43,443	0	43,443	590,637	8,689	8,689	5,463		14,152	20,603	300,606
30 2026-2	10,142,676	0	0	10,142,676	4,543,200	45,432	0	45,432	636,069	9,086	9,086	5,797	223	15,106	21,239	321,846
		0						636,069							321,846	3,413,824

Note: 1997-98 assessed values have been included for information purposes only; secured assessed values for 1997-98 have been trended at a growth rate of 2%.

RSG, Inc. 3/12/99

TABLE 3

Redevelopment Agency of the City of Riverside
1997-98 Top Ten Secured Taxpayers

MERGED PROJECT AREA

CENTRAL INDUSTRIAL AND SYCAMORE CANYON / BOX SPRINGS INDUSTRIAL PARK

Owner Name	Parcel Count	Existing Land Use	Net Value	% of Project Area Secured Value	% of Project Area Incremental Value
1. State Street Bank	2	Ralph's Food Distribution	$77,674,288	26.3%	29.5%
2. Pepsi Cola Bottling Co. of L.A., Inc.	3	Pepsi Bottling	$30,377,995	10.3%	11.5%
3. Sycamore Title Holding Corp. No P1	70	Vacant Commercial Land	$9,812,528	3.3%	3.7%
4. Butcher Boy Properties	3	Food Processing	$7,364,335	2.5%	2.8%
5. University Village Phase 1a Llc	4	University Village Development	$5,778,922	2.0%	2.2%
6. Sunstone Hotel	1	Courtyard by Marriott	$4,606,000	1.6%	1.7%
7. Sycamore Canyon (Riverside) Inv.	54	Vacant Commercial Land	$4,181,770	1.4%	1.6%
8. Albert & Bernice Spiegel Trustees	4	Town Square, Commercial Shopping Center	$4,040,005	1.4%	1.5%
9. Spiegel Family Venture 8	1	Chicago Plaza	$3,900,000	1.3%	1.5%
10. Price Co	1	Ind, Manufacturing and Processing	$3,649,620	1.2%	1.4%
TOP TEN TOTALS	**143**		**$151,385,463**	**51.2%**	**57.5%**
1997-98 PROJECT AREA SECURED NET ASSESSED VALUE			**$295,562,944**		
1997-98 PROJECT AREA INCREMENTAL VALUE (Secured and Unsecured)			**$263,324,058**		

Note: Excludes assessees from the areas added by the 1997 amendments to the Central Industrial and Sycamore Canyon/Box Springs Industrial Park Areas

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APPENDIX E

FORM OF LEGAL OPINION

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April 14, 1999

1113979
OUR FILE NUMBER
11304-00002

Redevelopment Agency of the City
of Riverside
3900 Main Street
Riverside, California 92522-0111

Opinion of Bond Counsel

17,025,000
Redevelopment Agency of the City
of Riverside
Tax Allocation Bonds, 1999 Series A
(University Corridor/Sycamore Canyon
Redevelopment Project)

Members of the Agency:

We have examined the law and original documents or copies certified or otherwise identified to our satisfaction of proceedings taken in connection with the issuance of the above-referenced bonds (the "Bonds") of the Redevelopment Agency of the City of Riverside (the "Agency"). We have also examined supplemental documents furnished to us and have obtained such certificates and documents from public officials and others as we have deemed necessary for the purpose of this opinion.

As to questions of fact material to our opinion we have relied upon such certificates and documents without undertaking to verify the same by independent investigation. The Bonds are issued under and pursuant to Part 1 of Division 24 of the California Health and Safety Code and pursuant to an Indenture

dated as of April 1, 1999, by and between the Agency and U.S. Bank Trust National Association as Trustee (the "Indenture").

From such examination, we are of the opinion that under existing law:

1. The Bonds are valid and binding special obligations of the Agency, payable solely from Tax Revenues (as defined in the Indenture) and certain other funds as provided in the Indenture.

2. Interest on the Bonds is exempt from State of California personal income taxes.

3. Assuming compliance with the covenants described below, interest on the Bonds is excluded from gross income for Federal income tax purposes. The Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code") and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. However, we note a portion of the interest on Bonds owned by corporations may be subject to the Federal alternative minimum tax, which is based in part on adjusted current earnings.

If the stated redemption price at maturity of a Bond is greater than the issue price of such Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public), the difference constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for Federal income tax purposes, is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 3 above), and is exempt from State of California personal income taxes.

If the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) is greater than the stated redemption price at maturity of such Bond, the difference constitutes original issue premium, which is not deductible from gross income for Federal

income tax purposes. The amount of amortizable Bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each such Bond or, in the case of a callable Bond, on a more accelerated basis. For purposes of determining gain or loss on the sale or other disposition of such Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Bond annually by the amount of amortizable Bond premium for the taxable year.

The Code sets forth certain requirements which must be met subsequent to the issuance of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. The Agency has covenanted in the Indenture to satisfy, or take such actions as may be necessary to cause to be satisfied, each provision of the Code necessary to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

Certain requirements and procedures contained or referred to in the Indenture may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth therein, upon the advice or with the approving opinion of nationally recognized bond counsel, and no opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of any counsel other than ourselves.

Except as stated in the foregoing paragraphs numbered 2 and 3 and three paragraphs immediately following paragraph 3, we express no opinion as to any Federal or state tax consequences of the ownership or disposition of the Bonds.

The opinions expressed herein are based on an analysis of existing law and cover certain matters not directly addressed thereby. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed

compliance with all agreements and covenants contained in the Indenture.

In addition, we call attention to the fact that the rights of the registered owners of the Bonds and the enforceability of such rights may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

WKK:syc
1113979

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STEVEN L. DORSEY
WILLIAM L. STRAUSZ
ANTHONY B. DREWRY
MITCHELL E. ABBOTT
TIMOTHY L. NEUFELD
GREGORY W. STEPANICICH
ROCHELLE BROWNE
MICHAEL JENKINS
WILLIAM B. RUDELL
QUINN M. BARROW
CAROL W. LYNCH
JEFFREY A. RABIN
GREGORY M. KUNERT
THOMAS M. JIMBO
MICHELE BEAL BAGNERIS
AMANDA F. SUSSKIND
ROBERT C. CECCON
SAYRE WEAVER
STEVEN H. KAUFMANN
GARY E. GANS
JOHN J. HARRIS
KEVIN G. ENNIS
ROBIN D. HARRIS
MICHAEL ESTRADA
LAURENCE S. WIENER
STEVEN R. ORR
MICHAEL G. COLANTUONO
B. TILDEN KIM
SASKIA T. ASAMURA
KAYSER O. SUME
C. EDWARD DILKES
PETER M. THORSON
BRENDA L. DIEDERICHS
JAMES L. MARKMAN
DEBORAH R. HAKMAN
RUBIN D. WEINER
SAUL JAFFE
CRAIG A. STEELE
T. PETER PIERCE
DAVID ROBERT DANIELS
WILLIAM P. CURLEY III
D. CRAIG FOX
LYNN I. IBARA
JANET E. COLESON
TERENCE R. BOGA
DANIEL L. PINES
LISA BOND
DIANE ARKOW GROSS
ROY A. CLARKE
ROXANNE M. DIAZ
MARIBEL S. MEDINA
ERIKA M. FLEMING
OLIVIA WAI-WEN SUAN
AMY W. CHING
PATRICIA K. OLIVER
SANDRA L. McDONOUGH
GABRIEL K. COY
MATTHEW D. MITCHELL
PAULA GUTIERREZ BAEZA

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(1916-1988)

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OF COUNSEL
WILLIAM K. KRAMER

April 14, 1999

1113980
OUR FILE NUMBER
11304-00002

Redevelopment Agency of the City
of Riverside
3900 Main Street
Riverside, California 92522-0111

Opinion of Bond Counsel

$6,055,000
Redevelopment Agency of the City
of Riverside
Subordinate Tax Allocation Bonds, 1999 Series B
(University Corridor/Sycamore Canyon
Redevelopment Project)

Members of the Agency:

We have examined the law and original documents or copies certified or otherwise identified to our satisfaction of proceedings taken in connection with the issuance of the above-referenced bonds (the "Bonds") of the Redevelopment Agency of the City of Riverside (the "Agency"). We have also examined supplemental documents furnished to us and have obtained such certificates and documents from public officials and others as we have deemed necessary for the purpose of this opinion.

As to questions of fact material to our opinion we have relied upon such certificates and documents without undertaking to verify the same by independent investigation. The Bonds are issued under and pursuant to Part 1 of Division 24 of the California Health and Safety Code and pursuant to an Indenture dated as of April 1, 1999, by and between the Agency and U.S. Bank Trust National Association as Trustee (the "Indenture").

From such examination, we are of the opinion that under existing law:

1. The Bonds are valid and binding special obligations of the Agency, payable solely from Surplus Tax Revenues (as defined in the Indenture) and certain other funds as provided in the Indenture.

2. Interest on the Bonds is exempt from State of California personal income taxes.

3. Assuming compliance with the covenants described below, interest on the Bonds is excluded from gross income for Federal income tax purposes. The Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code") and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. However, we note a portion of the interest on Bonds owned by corporations may be subject to the Federal alternative minimum tax, which is based in part on adjusted current earnings.

If the stated redemption price at maturity of a Bond is greater than the issue price of such Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public), the difference constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for Federal income tax purposes, is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 3 above), and is exempt from State of California personal income taxes.

If the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) is greater than the stated redemption price at maturity of such Bond, the difference constitutes original issue premium, which is not deductible from gross income for Federal income tax purposes. The amount of amortizable Bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each such Bond or, in the case of a

callable Bond, on a more accelerated basis. For purposes of determining gain or loss on the sale or other disposition of such Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Bond annually by the amount of amortizable Bond premium for the taxable year.

The Code sets forth certain requirements which must be met subsequent to the issuance of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. The Agency has covenanted in the Indenture to satisfy, or take such actions as may be necessary to cause to be satisfied, each provision of the Code necessary to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

Certain requirements and procedures contained or referred to in the Indenture may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth therein, upon the advice or with the approving opinion of nationally recognized bond counsel, and no opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of any counsel other than ourselves.

Except as stated in the foregoing paragraphs numbered 2 and 3 and three paragraphs immediately following paragraph 3, we express no opinion as to any Federal or state tax consequences of the ownership or disposition of the Bonds.

The opinions expressed herein are based on an analysis of existing law and cover certain matters not directly addressed thereby. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed compliance with all agreements and covenants contained in the Indenture.

In addition, we call attention to the fact that the rights of the registered owners of the Bonds and the enforceability of such rights may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

WKK:syc
1113980

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

SPECIMEN

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer

Ambac

Endorsement

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

SPECIMEN

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Authorized Representative

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE
(University Corridor/Sycamore Canyon Merged Redevelopment Project)

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE (the "Issuer" or "Agency") an entity duly created, established and authorized to transact business and exercise its powers under and pursuant to the Constitution and laws of the State of California in connection with the issuance of Redevelopment Agency of the City of Riverside Tax Allocation Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project) Tax Allocation Bonds 1999 Series A (the "Series A Bonds") and Subordinate Tax Allocation Bonds 1999 Series B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds"). The Series A Bonds are being issued pursuant to an Indenture dated as of April 1, 1999, between the Issuer and U.S. Bank Trust National Association (the "Series A Indenture"). The Series B Bonds are being issued pursuant to an Indenture dated as of April 1, 1999, between the Issuer and U.S. Bank Trust National Association (the "Series B Indenture").

The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer, for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Series A Indenture and the Series B Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

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

"Dissemination Agent" shall mean the Redevelopment Agency of the City of Riverside, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Dissemination Agent 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 Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available at *www.sec.gov/consumer/nrmsir.htm*.

"Participating Underwriters" shall mean Stone & Youngberg LLC.

"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 as a state repository for the purpose of the Rule and recognized as such by the Securities Exchange Commission. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Dissemination Agent shall not later than April 1 of each year, commencing April 1, 2000, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report. Not later than five (5) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent, Stone & Youngberg Research Department and the Trustee (if the Trustee is not the Dissemination Agent). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board 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 Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating that the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the Agency 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.

(b) Principal amount of Bonds of each series outstanding.

(c) The Reserve Requirement and the balance in each of the Series A Reserve Account, the Series B Reserve Account, the Series A Debt Service Fund and the Series B Debt Service Fund under each respective Indenture.

(d) Description of issuance by the Issuer of any debt of the Project Area in the current Fiscal Year (including details as to date, amount, term, rating, insurance).

(e) Current information with respect to the tables set forth in the Official Statement relating to the Bonds regarding coverage ratio for the current year, top ten taxpayers and Assessment Appeals including the effect of debt issued pursuant to (d) above on such tables.

(f) Statement of assessed value for the Project Area as reported by the County of Riverside.

(g) Balances of amounts deposited in the Housing Fund and the Redevelopment Fund.

(h) Any claim or litigation arising out of any disposition and development agreement or owner participation agreement of the Agency within the Project Area.

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

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Delinquency in payment when due of any principal of or interest on the Bonds.

2. Occurrence of any Event of Default under and as defined in the trust Agreement (other than as described in clause (1) above).

3. Amendment to the Series A Indenture, the Series B Indenture or this Disclosure Certificate modifying the rights of the holders of the Bonds.

4. Giving of a notice of optional or unscheduled redemption or any Bonds.

5. Defeasance of the Bonds or any portion thereof.

6. Any change in the rating, if any, on the Bonds.

7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.

8. Any unscheduled draw on either Reserve Account reflecting financial difficulties.

9. Any unscheduled draws on any credit enhancement reflecting financial difficulties.

10. Any change or substitution in the provider of any credit enhancement, or any failure by the credit enhancer to perform on the credit enhancement.

11. The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security).

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would constitute material information for holders of the Bonds under applicable Federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out their 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 the Issuer.

Section 8. Amendment; Wavier. Notwithstanding any other provisions of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) the amendment or waiver, if it relates to annual or event information to be provided, is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, 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 primarily 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 (i) is approved by holders of the Bonds in the manner provided in the Series A Indenture and the Series B Indenture for amendments to the Series A Indenture and the Series B Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, material impair the interest of holders.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate the Issuer 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 Issuer or to comply with any provision of this Disclosure Certificate, any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with their obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Series A Indenture and the Series B Indenture and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due t the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [TO COME]

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

By: _____
Executive Director

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APPENDIX H

BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System

DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity as set forth on the cover page hereof, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC 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, as amended. DTC was created to hold securities of its participating organizations (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in the accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers (including the Underwriter), banks, trust companies, clearing corporations and certain other organizations, some of which (and/or their representatives) own DTC. Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit balance in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant. Each Beneficial Owner will receive a written confirmation of purchase providing details of the Bond acquired. Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system is discontinued.

Beneficial Owners that are not DTC Participants or indirect participants but desire to purchase, sell or otherwise transfer ownership of, or other interests in, Bonds may do so only through DTC Participants or indirect participants. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondowners, the owners or registered owners of the Bonds shall mean Cede & Co. (which shall be the registered owner of the Bonds as shown on the registration books of the Trustee) and shall not mean the Beneficial Owners of the Bonds. See "RISK FACTORS - Book-Entry System."

The Agency and the Trustee will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to DTC Participants and by DTC Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Neither the Agency nor the Trustee will assume any responsibility or obligation with respect to the payments to or the providing of notice for DTC Participants or the Beneficial Owners. Neither the Agency nor the Trustee is responsible or liable for sending transaction statements to the Beneficial Owners or for maintaining, supervising or reviewing such records.

Principal of and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of any such payments, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. However, Beneficial Owners may experience some delay in their receipt

of payments, since such payments will be forwarded by the Trustee to Cede & Co., as nominee for DTC. DTC will then forward such payments to the DTC Participants, which thereafter will forward them to indirect participants or Beneficial Owners. See "RISK FACTORS - Book-Entry System." Payments by DTC Participants to indirect participants and Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time.

Procedure in the Event of Revision or Termination of Book-Entry Only System; Replacement Bonds

The book-entry system with DTC shall be discontinued if (a) DTC determines not to continue to act as securities depository for the Bonds; or (b) the Agency has advised DTC that it does not wish DTC to continue as securities depository. If the Agency replaces DTC with another qualified securities depository, a fully registered Bond for each maturity, registered in the name of the successor, shall be prepared, consistent with the Indentures. If the Agency fails to locate another qualified securities depository to replace DTC, the Agency shall execute and the Trustee shall authenticate and deliver fully registered Bonds (the "Replacement Bonds") to the Beneficial Owners of the Bonds.

Interest on the Bonds represented by Replacement Bonds shall be payable by check mailed by first-class mail, postage prepaid, to each owner of such Replacement Bond at the address of such owner as it appears at the close of business on the relevant Record Date in the bond register maintained by the Trustee. The principal of the Bonds represented by Replacement Bonds shall be payable upon presentation of such Bonds at the office of the Trustee in Los Angeles, California. Bonds represented by Replacement Bonds will be transferable only by presentation and surrender to the Trustee in Los Angeles, California, together with an assignment duly executed by the owner of the Replacement Bonds or by his representative in form satisfactory to the Trustee and containing information required by the Trustee in order to effect such transfer. See "Transfer and Exchange of Bonds" below.

DTC Practices

The Agency can make no assurances that DTC Participants or other nominees of the Beneficial Owners will distribute notices received as the registered owner of the Bonds, including redemption notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will act in a manner described in this Official Statement. The Agency understands that the rules applicable to DTC are on file with the Securities and Exchange Commission, and the procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

UNIVERSITY CORRIDOR
SYCAMORE CANYON
Riverside Redevelopment Agency Project Area