

NEW ISSUE

In the opinion of Best, Best & Krieger, Riverside, California, Bond Counsel, subject to certain qualifications described herein and under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, although it is included in certain income and earnings in computing the alternative minimum tax imposed on certain corporations. The Bonds have been designated "qualified tax-exempt obligations" for purposes of Section 256(b) of the Internal Revenue Code of 1986, as amended. In further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. The opinion contains greater detail, and is subject to exceptions, as noted in "TAX MATTERS" herein.

\$1,730,000
YUCCA VALLEY REDEVELOPMENT AGENCY
Yucca Valley Redevelopment Project Area
Tax Allocation Bonds, Series 1995

Dated: December 1, 1995

Due: June 1, as shown below

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.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 1996 (each, an "Interest Payment Date"). Ownership interests in the Bonds will be in denominations of \$5,000 and integral multiples thereof. Interest due with respect to the Bonds is payable by U.S. Trust Company of California, N.A., Los Angeles, California, as Trustee (the "Trustee") by check mailed on each Interest Payment Date to the registered owners of the Bonds as of the fifteenth calendar day of the month prior to each Interest Payment Date (the "Record Date"), or upon written request filed with the Trustee prior to any Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the continental United States designated by such owner in such written request. Principal of and premium (if any) on the Bonds will be payable at maturity or redemption upon surrender thereof at the corporate trust office of the Trustee in Los Angeles, California.

The Bonds are being issued to finance redevelopment activities within the Redevelopment Project Area (the "Project" or "Project Area") as described herein, to comply with the debt service reserve account requirement, and to pay costs of issuance.

The Bonds are being sold to the Yucca Valley Financing Authority, which will in turn sell the Bonds to the Underwriter.

The Bonds are special obligations of the Agency and are equally and ratably secured by an irrevocable pledge of certain Tax Revenues derived from the Project and other funds as provided in the Indenture pursuant to which the Bonds are being issued, as further discussed herein.

THE BONDS ARE NOT A DEBT OF THE TOWN OF YUCCA VALLEY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE TOWN OF YUCCA VALLEY, 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.

For discussion of some of the risks associated with the purchase of the Bonds, see "RISK FACTORS" herein.

MATURITY SCHEDULE
\$275,000 SERIAL BONDS:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
1997	\$ 20,000	5.00%	5.00%	2002	\$ 30,000	6.00%	6.00%
1998	20,000	5.20	5.20	2003	30,000	6.10	6.10
1999	25,000	5.40	5.40	2004	30,000	6.20	6.20
2000	25,000	5.60	5.60	2005	35,000	6.30	6.30
2001	25,000	5.80	5.80	2006	35,000	6.40	6.40

\$1,455,000 7.25% Term Bonds due June 1, 2025 @ 7.25%
(Plus accrued Interest, from December 1, 1995)

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval of Best, Best & Krieger, Riverside, California, Bond Counsel, and for the Agency by its general counsel, Singer & Silvergleid. It is anticipated that the Bonds in definitive form will be available for delivery in New York, New York on or about December 5, 1995.

Kinsell, O'Neal, Newcomb & De Dios, Inc.

Dated: November 16, 1995

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations by the Yucca Valley Redevelopment Agency (the "Agency") or the Underwriter other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein 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. This Official Statement has been deemed final by the Agency for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The information and expressions of opinion contained 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 implications that there has been no change in the affairs of the Agency since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

YUCCA VALLEY REDEVELOPMENT AGENCY
San Bernardino County, California

Kindred Pedersen, Chairperson
Bob Hockett, Vice-Chairman
Joan Burnside, Member
Marge Crouter, Member
Ellin Loveless, Member

AGENCY STAFF

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Janet M. Anderson, Deputy Secretary
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U.S. Trust Company of California, N.A.
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\$1,730,000
YUCCA VALLEY REDEVELOPMENT AGENCY
Yucca Valley Redevelopment Project Area
Tax Allocation Bonds, Series 1995

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement.

The purpose of this Official Statement, which includes the cover page, Table of Contents and Appendices hereto (the "Official Statement"), is to provide information about the sale of \$1,730,000 aggregate principal amount of the Yucca Valley Redevelopment Agency (the "Agency") Yucca Valley Redevelopment Project Area Tax Allocation Bonds, Series 1995 (the "Bonds") to be issued by the Agency.

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"), a resolution adopted by the Agency on November 2, 1995, and an Indenture dated as of December 1, 1995 (the "Indenture"), by and between the Agency and U.S. Trust Company of California, N.A., as trustee, (the "Trustee") to finance a portion of the Agency's redevelopment activities within the Agency's Redevelopment Area (the "Project") as more particularly described herein.

The Bonds are being issued for sale to the Yucca Valley 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 Bonds will be used (i) to finance redevelopment activities of the Agency within the Project, (ii) to fund a debt service reserve account, and (iii) to pay costs of issuance relating to the issuance of the Bonds.

The Town and the Agency

The Town of Yucca Valley (the "Town") is located in San Bernardino County (the "County"), approximately 125 miles east of Los Angeles in the Yucca Valley north of Palm Springs, California. Incorporated on November 27, 1991, the Town encompasses an area of approximately 38 square miles situated 3,224 feet above sea level. The January 1995 population of the Town was estimated by the State Department of Finance at 19,072.

The Agency was established on September 3, 1992 by the Town Council with the adoption of Ordinance No. 22 pursuant to the Redevelopment Law. The five members of the Town Council serve as the governing body of the Agency, and exercise all the rights, powers, duties and privileges of the Agency.

The Redevelopment Plan for the Project (the "Redevelopment Plan") was approved by Emergency Ordinance No. 37 adopted by the Town Council on August 5, 1993 and effective immediately. The Project was established in order to mitigate damage resulting throughout the town following the June 28, 1992 Landers Earthquake. See "RISK FACTORS — Seismic Conditions" herein. The Project encompasses 2,358 acres, or about 10% of the total area within the Town's corporate limits. The Project Area includes the central business district of the Town and a residential area in the eastern portion of the Town. The Project Area is zoned for mixed land uses with commercial, industrial, residential and public facility uses.

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 over that shown on the assessment roll for the base year of the Project may be pledged to the repayment of indebtedness incurred by the Agency in connection with the Project redevelopment. The assessed valuation of the base year for the Project Area is \$214,157,116, which amount reflects the years in which property in the Project was last equalized prior to the effective date of the respective ordinance approving the redevelopment plan and the amendment thereto. Under the Indenture, the Agency has pledged a portion of such tax increment revenues (which aggregates \$175,130 in 1995/96 after allocation of taxes to overlapping taxing entities pursuant to certain agreements) received over the base year value to the payment of the principal of, premium, if any, and interest on the 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 "THE PROJECT AREA — Pass-Through Agreements" herein.

There follows in this Official Statement brief descriptions of the Bonds, the security for the Bonds, the Agency, the Project and certain other information relevant to the issuance of the Bonds. All references herein to the Indenture 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 Indenture. Selected information regarding the Town is included in Appendix A. A summary of the Indenture is contained in Appendix B. The Agency's audited financial statements for the Fiscal Year ended June 30, 1994, are included in Appendix C. The proposed forms of legal opinion for the Bonds is set forth in Appendix D. A copy of the Agency's form of continuing disclosure agreement is included in Appendix E. All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indenture, 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 has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Agency not later than December 1 in each year, commencing December 1, 1996 (the "Annual Report"), and to provide notices of the occurrences of certain enumerated events, if material. The Annual Report will be filed by the Trustee on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The notices of material events will be filed by the Trustee on behalf of the Agency with the Municipal Securities Rulemaking Board (and with the

appropriate State information depository, if any). This covenant has been made by the Agency in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission.

THE BONDS

Authority for Issuance

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

Description of the Bonds

The Bonds will be issued in the aggregate principal amount, 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. Interest on the Bonds is payable on June 1 and December 1 of each year, commencing on June 1, 1996 (each an "Interest Payment Date"). Interest on the Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued and delivered in fully registered form, in the denomination of \$5,000 and integral multiples thereof for each maturity.

Interest on the Bonds will be payable by check of the Trustee mailed on the Interest Payment Date to the registered owners of the Bonds as of the close of business on the 15th day of the month preceding each Interest Payment Date (the "Record Date") or, upon the request of a registered owner of at least \$1,000,000 in aggregate principal amount of the Bonds, by wire transfer to an account in the continental United States of America designated in writing by such owner not later than the Record Date. Principal and premium, if any, with respect to the Bonds will be payable upon the surrender of the Bonds at the corporate trust office of the Trustee, in Los Angeles, California. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) the Bond is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) the Bond is authenticated on or prior to May 15, 1996, in which event it shall bear interest from December 1, 1995; provided, however, that if, at the time of authentication of any Bond, interest is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Redemption

Optional Redemption. The Bonds are subject to redemption prior to their stated maturity, at the option of the Agency, as a whole or in part on any Interest Payment Date, from any source of available funds on or after June 1, 2006, at the following redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 1, 2006 and December 1, 2006	102%
June 1, 2007 and December 1, 2007	101
June 1, 2008 and thereafter	100

Mandatory Sinking Account Redemption.

The Term Bonds are subject to mandatory redemption by lot prior to maturity from mandatory sinking account installments on each June 1 commencing June 1, 2007 at the principal amount thereof and accrued interest thereon to the date fixed for redemption in accordance with the following schedule:

SINKING ACCOUNT INSTALLMENTS

<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
2007	\$40,000	2017	\$ 75,000
2008	40,000	2018	80,000
2009	45,000	2019	90,000
2010	45,000	2020	95,000
2011	50,000	2021	100,000
2012	55,000	2022	110,000
2013	60,000	2023	115,000
2014	60,000	2024	125,000
2015	65,000	2025 (maturity)	135,000
2016	70,000		

In lieu of mandatory sinking account redemption, the Indenture permits a like aggregate principal amount of Bonds to be purchased on the open market. The par amount of any Series of Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any 12-month period ending sixty (60) days prior to any June 1 in any year shall be credited toward and shall reduce the principal amount of such Series of Bonds required to be redeemed on the following June 1.

Selection of Bonds

Whenever less than all outstanding Bonds maturing on any one date at any one time, the Trustee shall select the Bonds to be redeemed from the outstanding Bonds maturing on such date not previously selected for redemption by lot in any manner which the Trustee deems fair; provided, however, that if less than all the Bonds are called for redemption at any one time, upon the written direction from the Agency, the Trustee shall specify a reduction in any sinking account installments required to be made with respect to the Bonds (in an amount equal to the amount of Bonds to be redeemed) which, to the extent practicable, results in approximately equal annual debt service on the Bonds outstanding following such redemption.

Notice of Redemption

The Trustee shall mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date of such Bonds, to (i) the owners of Bonds designated for redemption at their respective addresses appearing on the registration books, (ii) the information services (described in the Indenture), and (iii) the securities depositories (described in the Indenture); but neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

Such notice shall state the date of such notice, the redemption date and the redemption price, shall designate the CUSIP number of the Bonds to be redeemed, state the Series of each Bond to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the Bonds outstanding are to be redeemed, and shall require that such Bonds be then surrendered at the office of the Trustee in Los Angeles, California, for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Transfer and Exchange of Bonds

Any 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 Bond for cancellation, accompanied by delivery of an executed instrument of transfer in a form approved by the Trustee. Bonds may be exchanged at the principal corporate trust office of the Trustee in Los Angeles, California, for a like aggregate principal amount of Bonds of authorized denominations and of the same Series and 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 Bonds shall be required to be made during the 15-day period preceding any date established by the Trustee for selection of Bonds for redemption or with respect to a Bond after such Bond has been selected for redemption (except for any unredeemed portion thereof).

In case any Bond shall become mutilated in respect of the body of such Bond, or shall be believed by the Agency to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee, and upon the surrender of such mutilated Bond at the office of the Trustee, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss, and upon receipt also of indemnity satisfactory to the Agency and the Trustee, and upon payment of all expenses incurred by the Agency and the Trustee in the premises, the Agency shall execute (manually or by facsimile) and the Trustee shall authenticate and deliver at said office a new Bond or Bonds of the same series and maturity and for the same Total Maturity Amount, of like tenor and date, with such notations as the Agency shall determine, in exchange and substitution for and upon cancellation of the mutilated Bond, or in lieu of and in substitution for the Bond so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Trustee upon receipt by the Trustee and the Agency of like proof, indemnity and payment of expenses.

Any such replacement Bonds so issued shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder. The Agency and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

Additional Bonds

The Agency may at any time after the issuance and delivery of the 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 Bonds, but only subject to the following specific conditions:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indentures, and a Certificate of the Agency to that effect shall have been filed with the Trustee.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Law and all applicable laws, and the issuance of such Additional Bonds 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 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 provided for the issuance of such Additional Bonds plus the Additional Allowance shall be in an amount equal to at least 120% of the Maximum Annual Debt Service on all outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Law, 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.

The Indenture provides that for the purposes of 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 Tax Revenues for the then current Fiscal Year plus the Additional Allowance shall be at least equal to 1.20 times Maximum Annual Debt Service on all Outstanding Bonds (exclusive of disqualified Bonds described in the 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.

The term "Additional Allowance" means, as of the date of calculation the amount of Tax Revenues which, as shown in the report of an Independent Redevelopment Consultant, 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 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 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.

In the event such Additional Bonds are to be issued solely for the purpose of refunding and retiring any outstanding Bonds, interest and principal amounts 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 therefore issued thereunder 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.

Procedure for the Issuance of Additional Bonds

All of the Additional Bonds shall be executed by the Agency for issuance under the Indenture and delivered to the Trustee and thereupon shall be delivered by the Trustee upon the Written Request of the Agency, but only upon receipt by the Trustee of the following documents or money or securities:

- (1) A certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;
- (2) A Written Request of the Agency as to the delivery of such Additional Bonds;
- (3) An opinion of counsel of recognized standing in the field of law relating to municipal bonds substantially to the effect that (a) the Agency has the right and power under the Law to execute and deliver the Indenture and all Supplemental Indentures thereto, and the Indenture and all such Supplemental Indentures have been duly executed and delivered by the Agency, are in full force and effect and are valid and binding upon the Agency and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and similar qualifications); and (b) such Additional Bonds are valid and binding special obligations of the Agency, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and are subject to the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures and the Law, and such Additional Bonds have been duly and validly issued in accordance with the Law and the Indenture and all such Supplemental Indentures;
- (4) A Certificate of the Agency containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture; and
- (5) Such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Additional Bonds.

1995 Bond Project

The Agency intends to use the majority of Bond proceeds to finance various public works within the Project Area. These include construction of new and rebuilding of existing roadways and alleyways, installation of public utilities, flood control and drainage improvements and recreational facilities.

A portion of Bond proceeds will also be used to fund grants to property owners for facade improvements, building code enforcement, sign conformity and other tenant improvements.

Also, 20 percent of net Bond proceeds will be used to improve the stock of low and moderate housing units with the Project Area, in accordance with the Redevelopment Law. Housing assistance will include home improvement grants of up to \$2,500 and grants of \$10,000 to \$15,000 to bring homes within the Project Area in compliance with building codes.

Sources and Uses of Funds

Sources:

1995 Bonds	\$1,730,000.00
Accrued Interest	1,351.81
Less: Underwriter's Discount	<u>(34,600.00)</u>
Total Sources	<u>\$1,696,751.81</u>

Uses:

Redevelopment Fund	\$1,203,660.00
Housing Fund	300,915.00
Reserve Account	145,825.00
Cost of Issuance Fund	45,000.00
Interest Account	<u>1,351.81</u>
Total Uses	<u>\$1,696,751.81</u>

Debt Service Schedule

Bond Year Ending June 1	Principal	Interest	Total Debt Service
1996	\$ --	\$ 60,831.25	\$ 60,831.25
1997	20,000.00	121,662.50	141,662.50
1998	20,000.00	120,662.50	140,662.50
1999	25,000.00	119,622.50	144,622.50
2000	25,000.00	118,272.50	143,272.50
2001	25,000.00	116,872.50	141,872.50
2002	30,000.00	115,422.50	145,422.50
2003	30,000.00	113,622.50	143,622.50
2004	30,000.00	111,792.50	141,792.50
2005	35,000.00	109,932.50	144,932.50
2006	35,000.00	107,727.50	142,727.50
2007	40,000.00(1)	105,487.50	145,487.50
2008	40,000.00(1)	102,587.50	142,587.50
2009	45,000.00(1)	99,687.50	144,687.50
2010	45,000.00(1)	96,425.00	141,425.00
2011	50,000.00(1)	93,162.50	143,162.50
2012	55,000.00(1)	89,537.50	144,537.50
2013	60,000.00(1)	85,550.00	145,550.00
2014	60,000.00(1)	81,200.00	141,200.00
2015	65,000.00(1)	76,850.00	141,850.00
2016	70,000.00(1)	72,137.50	142,137.50
2017	75,000.00(1)	67,062.50	142,062.50
2018	80,000.00(1)	61,625.00	141,625.00
2019	90,000.00(1)	55,825.00	145,825.00
2020	95,000.00(1)	49,300.00	144,300.00
2021	100,000.00(1)	42,412.50	142,412.50
2022	110,000.00(1)	35,162.50	145,162.50
2023	115,000.00(1)	27,187.50	142,187.50
2024	125,000.00(1)	18,850.00	143,850.00
2025	<u>135,000.00(2)</u>	<u>9,787.50</u>	<u>144,787.50</u>
TOTAL	<u>\$ 1,730,000.00</u>	<u>\$ 2,486,258.75</u>	<u>\$ 4,216,258.75</u>

- (1) Sinking Fund Installment
(2) Final Maturity

SECURITY FOR THE BONDS

Pledge and Allocation of Taxes

Under provisions of the California Constitution and the Redevelopment Law, taxes levied upon taxable property in the 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 the 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.

"Tax Revenues" means, for each Bond 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 payable to affected taxing agencies pursuant to the Pass-through Agreements); and (c) amounts [other than amounts required to pay principal or interest or other financing charges with respect to Bonds 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 or 33334.6 of the Law, as provided in the Redevelopment Plan.

Pursuant to the Redevelopment Law, a redevelopment agency with redevelopment projects established prior to January 1, 1994, could enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for a pass-through of tax increment revenues directly to the affected taxing agency, and, therefore, are commonly referred to as "pass-through agreements. In connection with the adoption of the Redevelopment Plan and the amendment to the Redevelopment Plan, a determination was made that the Project would have an adverse fiscal impact on certain taxing agencies. In order to mitigate this impact, the Agency entered into several pass-through

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 "THE PROJECT AREA — Pass-Through Agreements" herein.

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 Bonds and any Additional Bonds. The Agency has no power to levy and collect property taxes, and any legislative property tax decrease 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 increment revenues that would otherwise be available as Tax Revenues to pay the principal of, interest on and premium, if any, on the 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 will be maintained under the Indenture and initially is to be funded from the proceeds of the Bonds in the amount equal to the Reserve Account Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account and the Principal Account or Sinking Account for the Bonds, 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 Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Bonds then outstanding. See Appendix B, "SUMMARY OF THE INDENTURE" herein.

Bonds Not a Debt of Town of Yucca Valley or the State of California

The Bonds are special obligations of the Agency and as such are not a debt of the Town, the State or any of its political subdivisions. Neither the Town, the State nor any of its political subdivisions is liable for the payment thereof. In no event shall the Bonds 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.

RISK FACTORS

Seismic Considerations

Yucca Valley experienced substantial infrastructure and private property damage due to the 7.6 magnitude Landers Earthquake which occurred on June 28, 1992. In its effort to rebuild the fiscal and economic base of the community, the Town of Yucca Valley Redevelopment Agency adopted the Redevelopment Plan. The Town was officially declared a disaster area by both the President of the United States and the Governor of California and the Project Area was adopted pursuant to the California Health and Safety Code "Community Redevelopment Financial Assistance and Disaster Project Law" (Section 33000 et. seq.).

The Town and Project are located in a seismically active region in Southern California. Significant earthquake fault zones in this region include the Alquist-Priolo, Burnt Mountain, Eureka Peak, Johnson Valley, Pinto Mountain and San Andreas Fault Zones. There is evidence that a ground surface

rupture may occur in the event of an earthquake, and there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land along the aforementioned fault lines 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 both property and infrastructure in the Project. As a result, a substantial portion of the property may be damaged and result in a corresponding reduction of assessed values with the Project. Additionally, owners may be unable or unwilling to pay the levy of ad valorem taxes on such property when due. In addition, the value of land in the Project could be diminished in the aftermath of such an earthquake, reducing the resulting proceeds of foreclosure sales in the event of delinquencies thus affecting receipt of Tax Revenues.

Reduction in Taxable Value

Tax increment revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project and the current rate or rates at which property in the Project is taxed. The reduction of taxable values of property in the Project caused by economic factors beyond the Agency's control, such as a relocation out of the Project 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 thus the 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 "Redevelopment Project Area — Ten Largest Secured Property Taxpayers" for a listing of the principal property taxpayers within the Project.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A 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. 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.

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, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates and the percentage of taxes collected, 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 "HISTORICAL AND ESTIMATED TAX REVENUES" herein.

LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

Property Tax Limitations - Article XIII A

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 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 any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation. On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several State and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases. The United States Supreme Court upheld the method of assessing ad valorem taxes in June, 1992 in *Nordlinger v. Hahn*.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (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 XIII A 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.

Implementing Legislation

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

The apportionment of property taxes in Fiscal Years after 1978/79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in Fiscal Year 1978/79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, constituent districts receive their proportionate share of the general levy; however, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$4.00 per \$100 assessed valuation) and the bonded debt tax rate.

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

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 record in the county recorder's office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Current tax payment practices by the County provide for payment to the Agency of tax increment revenues as received throughout the Fiscal Year, with the majority of tax increment revenues paid to the Agency in December and April. A final reconciliation is made after the close of the Fiscal Year to incorporate all adjustments to previously reported current year taxable values. The difference between the final reconciliation and tax increment revenues previously allocated to the Agency are allocated in July.

Penalties. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is 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 March 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31.

Supplemental Assessments. A bill enacted in 1983, Senate Bill ("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 March 1 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 March 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. San Bernardino County has not charged the Agency administrative fees pursuant to SB 2557.

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.

Chapter 447 of the Statutes of 1984 repealed the provision of the State replacement revenues provided in Chapter 1150 and Chapter 610 for local agencies. This measure holds redevelopment agencies harmless from the loss of business inventory replacement revenues through State special subventions. The special subventions would be in amounts equal to the difference between the previously received business inventory replacement revenue and revenue derived by virtue of supplemental assessments. Under current law, if redevelopment agencies do not receive sufficient tax revenue generated from the new supplemental roll, the State pays a special subvention to restore such agencies to the difference between the level of business inventory subventions which were to be paid under prior law and the amount of revenue received from taxes on the supplemental roll. As a result of these changes, redevelopment agencies typically have received either from supplemental assessments or special subventions approximately the same amount of revenue as they received in 1983/84 when business inventory subventions had not yet been terminated. Section 16112.7 of the California Government Code (AB 160, Chapter 449, Statutes of 1990) precludes redevelopment agencies from pledging special subvention revenues toward the payment of debt service for bonded indebtedness incurred after July 31, 1990.

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.

Litigation contesting the State Board of Equalization's procedures determining the valuation of the seven largest utilities in the State has resulted in a recent stipulation between the State Board of Equalization and the utilities. The terms of the settlement provide that the valuation of the seven largest utilities will decrease by a total of 10.5%, which decrease was phased over Fiscal Years 1993/94 and 1994/95.

Appropriations Limitations: Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B 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. The "base year" for establishing such appropriation limit is the 1978/79 Fiscal Year and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. Proceeds of taxes include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (2) the investment of tax revenues.

Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. While the tax rate is assumed to decline to 1% of taxable value and remain constant in subsequent years, current law permits taxing entities deriving revenues from the 1% rate to

reduce their levies under certain circumstances. It is the apparent intent of the law to insulate the other taxing entities and redevelopment agencies from the affects of such reductions on their property tax revenues.

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 XIII B, 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.

Low and Moderate Income Housing

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law requiring redevelopment agencies to set aside 20% of all tax increment revenues allocated and paid to redevelopment agencies from redevelopment project areas adopted after December 31, 1976 in a low and moderate income housing fund to be expended for authorized low and moderate income housing purposes (the "Housing Set-Aside"). 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.

Recent Legislation

The California State Legislature previously adopted Assembly Bill 1290 ("AB 1290") which contains several significant changes in the Redevelopment Law. Among the changes made by AB 1290 is a provision which limits the incurrence and repayment of loans, advances and indebtedness which are payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan.

Bankruptcy and Foreclosure

The payment of property taxes by owners may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

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

Although bankruptcy proceedings would not cause the property tax obligation of a landowner to become extinguished, such bankruptcy could result in a delay in collection of Tax Revenues, and would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion of 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. Although the court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "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 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.

Glasply is controlling precedent on bankruptcy courts in the State of California. The lien date for property taxes in California is the March 1 preceding the fiscal year for which the taxes are levied. Therefore, under *Glasply*, a bankruptcy petition filing would prevent the lien for property taxes levied in subsequent fiscal years to attach so long as the property was a part of the estate in bankruptcy. To the extent *Glasply* is applied to property owners within the Agency's Project Area who file for bankruptcy and whose property taxes are a source of tax increment for the Agency, the amount of tax increment may be reduced.

Payments by RTC

The ability of the County to collect property taxes may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") or the Resolution Trust Company (the "RTC") has an interest. On June 10, 1991 an RTC Statement of Policy Regarding the Payment of State and Local Real Property Taxes (the "Policy Statement") was issued. The FDIC has adopted a substantially identical policy. The Policy Statement applies to the RTC when it is liquidating assets in its corporate and receivership capacities; it does not apply when the RTC is acting as a conservator. The Policy Statement provides, in turn, that owned real property of the RTC is subject to state and local real property taxes if those taxes are assessed according to the property's value, and that the RTC is immune from ad valorem real property taxes assessed on other bases. The Policy Statement also provides that the RTC will pay its property tax obligations when they become due and will pay claims for delinquencies as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the RTC interest in the property is appropriate.

Although a permanent nonpayment of taxes by the RTC with respect to any property held by it in the Project Area could adversely affect the security for the Bonds, the Agency is generally unable to predict what effect, if any, the application of the Policy Statement will have in the event of a delinquency in the payment of property taxes relating to a parcel within the Project Area in which the FDIC or the RTC has an interest. The Agency also is unable to predict what effect, if any, the application of the Policy Statement will have on the payment of the principal of, and interest on, the Bonds. The Agency is not currently aware of any property in the Project Area that is held by the RTC.

Future Initiatives

Article XIII A, Article XIII B and Proposition 62 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.

THE YUCCA VALLEY FINANCING AUTHORITY

The Yucca Valley Financing Authority (the "Authority") was created by a Joint Exercise of Powers Agreement, dated November 2, 1995 by and between the Town and the Agency. Such agreement was entered into pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the Town. Under the JPA Law, the Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

The Authority is governed by a five-member Board of Authority Commissioners (the "Board") which consists of the members of the Town Council of the Town of Yucca Valley. The Mayor acts as the Chairperson of the Authority, the Town Manager as its Executive Director, the Deputy Town Clerk as its Secretary and the Town Treasurer as the Treasurer of the Authority.

YUCCA VALLEY REDEVELOPMENT AGENCY

The Agency was established on September 3, 1992 by the Town Council of the Town with the adoption of Ordinance No. 22, pursuant to the Redevelopment Law. The five members of the Town Council serve as the governing body of the Agency, and exercise all the rights, powers, duties and privileges of the Agency.

Members and Officers

The members and officers of the Agency and the expiration dates of their terms are as follows:

<u>Name and Office</u>	<u>Expiration of Term</u>
Kindred Pedersen, Chairperson	November 1996
Bob Hockett, Vice-Chairman	November 1998
Joan Burnside, Member	November 1996
Marge Crouter, Member	November 1998
Ellin Loveless, Member	November 1998

Agency Powers

All powers of the Agency are vested in its governing body. Pursuant to the Redevelopment Law, the Agency may exercise broad governmental functions and authority to accomplish its purposes, including, but not limited to, the right of eminent domain, the right to issue bonds and expend their proceeds and the right to acquire, sell, develop, administer or lease property. The Agency may demolish buildings, clear land and cause to be constructed certain improvements including streets, sidewalks, and public utilities.

The Agency may not construct or develop buildings, with the exception of public facilities and housing, but must sell or lease cleared property to redevelopers for construction and development in accordance with the Redevelopment Plan.

Agency Accounting Records and Financial Statements

Every redevelopment agency is required to present an annual report to its legislative body within six months of the end of the fiscal year. The annual report is required, among other things, to include an independent financial "audit report" and a fiscal statement for the previous fiscal year. The California Health and Safety Code defines "audit report" to mean an examination of and opinion on the financial statements of the agency which presents the results of the operations and financial position of the agency. The independent financial audit is required to be conducted in accordance with generally accepted auditing standards and the rules governing audit reports promulgated by the Governmental Accounting Standards Board. The independent financial audit report is also required to include an opinion of the agency's compliance with laws, regulations and administrative requirements governing activities of the agency. The California Health and Safety Code requires the fiscal statement to contain the following information:

1. The amount of outstanding indebtedness of the agency and each project area.
2. The amount of tax increment revenues generated in the agency and in each project area.
3. The amount of tax increment revenues paid to a taxing agency pursuant to a tax sharing agreement.
4. The financial transactions report required to be submitted to the State Controller.
5. Any other fiscal information which the agency believes is useful to describe its programs.

The Indenture requires the Agency to keep, or cause to be kept, proper books and accounts separate from all other records and accounts of the Agency and the Town in which complete and correct entries are made of all transactions relating to the Redevelopment Project, the Tax Revenues and the Redevelopment Fund.

The Indenture also requires the Agency to file with the Trustee annually, within 180 days after the close of each fiscal year, so long as any of the Bonds are outstanding, its audited financial statements showing the Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all funds and accounts related to the Redevelopment Project as of the end of such fiscal year. The audited financial statements are required to be accompanied by written Certificate of the Agency stating that the Agency is in compliance with its obligations under the Indenture. The Agency covenants under the Indenture to furnish a copy of such statements upon reasonable request to any Bondowner.

The Agency retained the firm of Thomas, Bigbie & Smith, Riverside, California, to examine the component unit financial statements of the Agency as of and for the Fiscal Year ended June 30, 1994, which are included as Appendix C. This report is the Agency's first audit since formation of the Project Area in August 1993. The firm's examination was made in accordance with generally accepted auditing standards and the "Guidelines for Compliance Audits of California Redevelopment Agencies" issued by the State Controller. The firm reported after their examination that the Agency's financial statements present fairly its financial position and results of operations in conformity with generally accepted accounting principles and that they noted no material instances of non-compliance for the Fiscal Year ended June 30, 1994.

THE PROJECT AREA

The Redevelopment Plan for the Project Area was adopted on August 5, 1993 by Emergency Ordinance No. 37 and encompasses 2,358 acres in two contiguous sub-areas. The Downtown Sub-Area is situated along a general east-west axis bisected by Twenty Nine Palms Highway (State Route 62). It comprises the commercial center of the Town and adjoining residential and industrial areas, along with various public facilities including the town Civic Center. The East End Residential Sub-Area B covers a residential area in the eastern portion of the Town adjacent southerly to Twenty Nine Palms Highway. The Project Area is comprised of residential, commercial, industrial and public facility uses.

As a result of the Landers Earthquake which occurred on June 28, 1992 (see "RISK FACTORS — Seismic Conditions" herein), the Project Area was formed primarily to effect earthquake stabilization within the Project. The Agency intends to finance a variety of community infrastructure and private property improvements. Such improvements may include roadway and utility repair, rehabilitation or replacement; and provision for low interest private property loans for repair and rehabilitation. In addition, the Agency intends to use the redevelopment process to promote economic growth throughout the Project Area.

Limitation and Requirements of the Redevelopment Plan and Amendment

Pursuant to the Redevelopment Plan, the total tax increment revenues received by the Agency from the Project Area over the life of the Redevelopment Plan may not exceed \$275,000,000. The total amount of outstanding bonded indebtedness incurred by the Agency, payable from tax increment revenues from the original Project Area, which can be outstanding at any one time may not exceed \$27,500,000. Both the limits on tax increment revenues and amount of outstanding bonded indebtedness stated in the Redevelopment Plan are expressed in 1993 dollars and will be adjusted annually thereafter in accordance with changes in the Consumer Price Index for the nearest area to the Project Area, as maintained by the Bureau of Labor Statistics, United States Department of Labor. In compliance with Health and Safety Code Section 33333.6, the time limit on establishing loans, advances or indebtedness payable from tax increment revenues from the original Project Area to finance, in whole or in part, the redevelopment project is August 5, 2033. The effectiveness of the Redevelopment Plan will terminate on August 5, 2033, and the Agency may not pay indebtedness or receive property taxes from the original Project Area after ten years from the termination of the effectiveness of the Redevelopment Plan.

In accordance with State law, unless certain findings are made, not less than 20 percent of tax increment revenues allocated to the Agency from the Project Area must be used to increase, improve and preserve the supply of housing for families of low or moderate income.

Agreements with Various Taxing Agencies

The Agency has entered into tax increment sharing agreements with seven taxing entities which require that a portion of tax increment be allocated to such taxing entity on a basis senior to the payment of any indebtedness of the Agency. Such tax increment sharing agreements are summarized below.

County of San Bernardino. The Agency has entered into a tax increment sharing agreement with the County of San Bernardino relative to the Project Area. The agreement provides that, beginning in 1998/99 and continuing through 2032/33, the Agency shall make the following allocations of the County's normal share of property tax revenues derived from the Project Area between itself and the County:

<u>Gross Annual Increment</u>	<u>Pass-through to County</u>
<u>Sub-Area A (Downtown)</u>	
\$ 0 - \$2,500,000	50%
2,500,000 - 5,000,000	60%
5,000,000 and above	70%
 <u>Sub-Area B (Downtown)</u>	
\$ 0 - \$400,000	50%
400,000 - 1,000,000	60%
1,000,000 and above	70%

San Bernardino County Superintendent of Schools. The Agency has entered into a tax increment sharing agreement with the San Bernardino County Superintendent of Schools. The agreement provides that the San Bernardino County Superintendent of Schools shall receive each year 100% of its normal share of property tax revenue derived from the Project Area tax increment less the 20% of said increment allocated to low and moderate housing.

Morongo Unified School District. The Agency has entered into a tax sharing agreement with the Morongo Unified School District relative to the Project Area. The agreement provides that the Morongo Unified School District shall receive each year a percentage of its normal share of property tax revenue to be applied to the tax increment annually based on the following formula:

<u>Years</u>	<u>Pass-through to Morongo Unified School District</u>
1994/95 - 1997/98	15%
1998/99 - 2008/09	40%
2009/10 - 2032/33	65%

The Agency has entered into separate tax increment sharing agreements with each of the Desert Community College District, Mojave Water Agency and the Hi-Desert Water District, respectively, each of which provide for a 100% pass-through of such district's respective share of tax increment relative to the Project. The Agency has also entered into a tax increment sharing agreement with the Yucca Valley Fire Protection District which provides for a 20% pass-through of that district's share of tax increment relative to the Project.

Principal Taxpayers

**YUCCA VALLEY REDEVELOPMENT AGENCY
Redevelopment Project Area
Ten Largest Secured Property Taxpayers**

<u>Property Owner</u>	<u>Property Type</u>	<u>1995/96 Secured Assessed Valuation</u>	<u>% of Total(1)</u>
California Valley Assoc.	Commercial	\$ 5,253,381	2.52%
Desert Hills Assoc.	Commercial	3,791,413	1.82
Sun West Villas Assoc.	Housing	2,529,870	1.21
Country Club Mobile Homes	Housing	2,007,865	0.96
Yucca Valley Assoc.	Commercial	1,551,115	0.74
Moyle's Health Care	Commercial	1,535,712	0.74
Home Savings of America	Bank	1,512,178	0.72
Moyle's Hi-Desert Riviera	Commercial	1,474,031	0.71
Boggs et al	Commercial	1,394,566	0.67
Ward Property	Commercial	<u>1,356,924</u>	<u>0.65</u>
Total:		<u>\$22,407,055</u>	<u>10.74%</u>

(1) 1995/96 total Project Area Secured Assessed Valuation: \$208,638,140.

Source: San Bernardino County Assessor

Currently, there are no assessment appeals currently on file with the San Bernardino County Assessor for the ten largest 1995/96 secured property taxpayers.

Assessed Valuation and Tax Revenues

The base year for the Project Area is 1993/94. San Bernardino County does not include Unsecured Roll valuations in the base year until the second year of a redevelopment project area, at which time the base year is revised. The Project Area revised base year valuation is \$214,157,116. The table below presents Project Area assessed valuations and gross tax revenues since the establishment of the Project Area.

**YUCCA VALLEY REDEVELOPMENT AGENCY
Redevelopment Project Area
Assessed Valuations and Tax Revenues**

<u>Fiscal Year</u>	<u>Secured Assessed Valuation</u>	<u>Unsecured Assessed Valuation</u>	<u>Total Assessed Valuation</u>	<u>Gross Tax Revenues</u>
1993/94(1)	\$190,535,695	\$ - 0 -	\$190,535,695	\$ --
1994/95	210,713,147	- 0 -	210,713,147	153,388
1995/96(2)	208,638,140	26,095,091	234,733,231	205,761

(1) Base Year

(2) Unsecured roll valuation first reported and base year valuation revised to \$214,157,116 to reflect this.

Source: San Bernardino County Auditor-Controller

Projected Tax Revenues

YUCCA VALLEY REDEVELOPMENT AGENCY Redevelopment Project Area Projected Tax Revenues and Pledged Tax Revenues

Fiscal Year	Taxable Valuation(1)	Incremental Valuation(2)	Tax Revenues(3)	Less Required Pass-Throughs(4)	Pledged Tax Revenues Available for Debt Service
1996/97	\$239,427,800	25,270,684	252,707	\$37,831	\$214,876
1997/98	244,216,400	30,059,284	300,593	45,089	255,504
1998/99	249,100,700	34,943,584	349,436	71,634	277,802
1999/00	254,082,700	39,925,584	399,256	81,847	317,409
2000/01	259,164,400	45,007,284	450,073	92,265	357,808

- (1) The total real, personal property and non-unitary public utilities valuations projected by the Agency to increase 2% annually, which is the annual inflationary growth factor of 2% as permitted by Article XIII A of the State Constitution.
- (2) Taxable valuation less Base Year valuation of \$214,157,116.
- (3) Assumes 1.00% tax rate applied to incremental valuation.
- (4) Payments pursuant to cooperation agreements.

Projected Debt Service Coverage

Presented below is a five-year projection of debt service coverage for the Bonds.

Year Ending June 1	Projected Pledged Tax Revenues(1)	Reserve Account Earnings(2)	Total Available for Debt Service	Total Debt Service(3)	Coverage
1997	\$214,876	\$8,750	\$223,626	\$141,663	1.58x
1998	255,504	8,750	264,254	140,663	1.88
1999	277,802	8,750	286,552	144,623	1.98
2000	317,409	8,750	326,159	143,273	2.28
2001	357,808	8,750	366,558	141,873	2.58

- (1) From table above.
- (2) Assumes interest earnings on Reserve Account at 6% per annum.
- (3) From Debt Service Schedule on page 10.

Low and Moderate Income Housing Projects

In 1976, the Redevelopment Law was amended to require that under certain circumstances a certain percentage of tax increment revenues must be set aside annually for the purpose of increasing and improving the community's supply of low and moderate income housing available at affordable housing costs to persons and families of very low, low or moderate income households. The Redevelopment Law requires that for every redevelopment plan adopted after January 1, 1977, or any area which is added to a redevelopment project by an amendment to a redevelopment plan after January 1, 1977, not less than 20% of tax increment revenues must be set aside in a separate low and moderate income housing fund

unless certain annual findings of the Agency are made. In 1985, the Redevelopment Law was further amended to add substantially the same requirements with respect to plans adopted prior to January 1, 1977.

The Agency will deposit a portion of the proceeds of the Bonds in the Housing Fund. Under the Redevelopment Law, the Agency is permitted to use tax increment revenues otherwise required to be deposited in the Housing Fund to the extent necessary to pay that portion of the Bonds which represents repayment of the proceeds deposited in the Housing Fund (including the Reserve Account and issuance costs). The Agency will continue to deposit into the Special Fund maintained under the Indenture as Tax Revenues the permitted portion of annual tax increment revenues otherwise required to be deposited in the Housing Fund. Such deposit is pledged to repayment of the Bonds. The Agency intends to use a portion of the proceeds of the Bonds for the purpose of improving and constructing housing for persons of low and moderate income in and of benefit to the Project.

CERTAIN LEGAL MATTERS

Best, Best & Krieger, Bond Counsel, will render opinions with respect to the Bonds substantially in the forms set forth in Appendix D to this Official Statement. Copies of these opinions will be available at the time of delivery of the Bonds.

RATING

The Agency has not made and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Kinsell, O'Neal, Newcomb & De Dios, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds for \$1,695,400, reflecting an underwriter's discount of \$34,600, plus accrued interest. The contract of purchase pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all 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 contract of purchase.

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 Indenture 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

In the opinion of Best, Best & Krieger, Riverside, California, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel notes that, with respect to corporations, interest on the Bonds will be included as an adjustment in the calculation of the alternative minimum taxable income, which may affect the alternative tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Bonds is based upon certain representations of fact and certifications made by the Agency, the Underwriter and others and is subject to the condition that the Agency complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest and original issue discount on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to comply with all such requirements.

Should the interest with respect to the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions taken or events are taken or do occur. Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds may otherwise affect the income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

Qualified Tax-Exempt Obligations

The Agency has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, such that in the case of certain financial institutions a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

MISCELLANEOUS

The quotations from, and summaries and explanations of the Indenture and other statutes and documents contained herein do not purport to be complete, and reference is made to such documents, the Indenture 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 of the 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 has been duly authorized by the Agency.

YUCCA VALLEY REDEVELOPMENT AGENCY

By: /s/ Kindred Pedersen 
Chairperson

By: /s/ Sue Tsuda 
Executive Director

APPENDIX A

GENERAL INFORMATION ON THE TOWN AND AREA

General Description

The Town of Yucca Valley, a general law city, was incorporated on November 27, 1991 and is located about 125 miles east of Los Angeles and 25 miles north of Palm Springs, California. The Town has a Council-Manager form of municipal government. The Town Council appoints the Town Manager who is responsible for the day-to-day administration of Town business and the coordination of all departments of the Town.

The Town Council is composed of five members elected biannually at large to four-year alternating terms. The Mayor is selected by the Town Council from among its members. Yucca Valley employs a staff of approximately 46 full-time equivalent employees.

The Town encompasses an area of approximately 38 square miles situated 3,224 feet above sea level. Yucca Valley enjoys a California high desert climate with winter low temperatures averaging 33 degrees, and summer high temperatures averaging 99 degrees.

Population

The Town's population, as of January 1995, was 19,072, as reported by the California State Department of Finance. A summary of the Town's population since incorporation is shown below.

TOWN OF YUCCA VALLEY Population

<u>Year</u>	<u>Population</u>
1992	17,600
1993	17,900
1994	18,350
1995	19,072

(1) State Department of Finance estimate as of January 1 of each year.

The estimated population of the immediate Yucca Valley community area, which includes the Town and nearby communities of Johnson Valley and Landers, is 36,500.

Tax Levies

San Bernardino County does not report tax levy and delinquency statistics for individual entities within the County. The County-wide delinquency rate for the General Fund property tax levy in 1993/94 (latest available statistics) was 8.4%, as reported by the County Auditor-Controller.

Direct and Overlapping Bonded Indebtedness

The Agency's direct and overlapping bonded indebtedness for the Yucca Valley Redevelopment Project Area is summarized as follows:

TOWN OF YUCCA VALLEY Redevelopment Project Area Direct and Overlapping Debt

1995-96 Assessed Valuation	\$234,733,231
Base year Valuation	<u>214,157,116</u>
Incremental Valuation	<u>\$ 20,576,115</u>

<u>Direct Debt:</u>	<u>% Applicable</u>	<u>Debt 12/1/95</u>
1995 Tax Allocation Bonds	100.000%	\$ 1,730,000
Total Direct Debt		<u>\$ 1,730,000</u>

Ratio to Incremental Valuation: 8.41%

Overlapping Bonded Debt:

San Bernardino County Building Authorities	0.372%	\$ 2,436,395
San Bernardino County Free Library Authority	0.563	760
Desert Community College District Certificates of Participation	1.404	56,300
Yucca Valley Authority	31.124	178,963
Mojave Water Agency, I.D.M.	17.670	8,920,700
Hi-Desert County Water District Authority	28.117	<u>1,573,914</u>
Total Overlapping Bonded Debt		<u>\$ 13,167,032</u>

Ratio to Base Year Valuation: 6.15%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/95: \$0

Source: California Municipal Statistics, Inc.

Commerce

The number of establishments in Yucca Valley selling merchandise subject to sales tax and the valuation of taxable transactions is presented in the following table. The statistics for 1994 are the latest available full-year totals.

TOWN OF YUCCA VALLEY Taxable Retail Sales (\$000)

<u>Year</u>	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
1992	263	\$127,900	655	\$136,749
1993	274	133,618	727	142,836
1994	276	133,660	683	143,853

Source: California State Board of Equalization.

Employment

The Town is included within the Riverside-San Bernardino MSA Labor Market Area. Services, retail trade and government are the principal sources of employment, comprising 25%, 21% and 20%, respectively, of the total employed work force, as shown in the table below.

Riverside-San Bernardino MSA Labor Market Area Distribution of Wage and Salary Employment

<u>Industry</u>	<u>August 1994</u>	<u>August 1995</u>
Agriculture	17,300	17,200
Mining	1,300	1,300
Construction	40,400	44,500
Manufacturing - Durables	56,900	57,300
Manufacturing - Nondurables	30,100	30,300
Transportation & Public Utilities	38,200	39,500
Trade: Wholesale	34,000	35,000
Trade: Retail	161,900	164,200
Finance, Insurance, Real Estate	31,800	31,300
Services	190,500	192,100
Government	150,000	150,500
TOTAL	752,400	763,200

Source: California Employment Development Department

The largest employers in the community are shown below.

**TOWN OF YUCCA VALLEY
Principal Employers**

<u>Name</u>	<u>Number of Employees</u>
Morongo Unified School District	600
Moyle's Health Care	250
K-Mart	190
Stater Brothers Market	140
Von's Market	90
Hi-Desert Star	75
Wal-Mart	75

Source: County of San Bernardino Department of Economic and Community Development, January 1993.

Industrial Development

A wide variety of industrial sites are available in the Town. There are five locations offering undeveloped tracts as well as improved industrial/commercial sites. At the Monterey Business Center and north Highway 247 industrial areas there are lots available ranging from one acre to 160 acres. These sites provide excellent highway access to the entire region.

Construction Activity

The following is a summary of the valuation of building permits issued in the Town, since April 1992, when the Town began compiling statistics.

**TOWN OF YUCCA VALLEY
Building Permit Valuation**

<u>Year</u>	<u>Total Permit Valuation</u>	<u>Number of New Single Family Dwellings</u>	<u>Number of New Commercial Buildings</u>
1992(1)	\$15,564,810	39	7
1993	7,038,510	21	9
1994	7,851,421	18	11
1995(2)	4,668,667	15	6

(1) Beginning April 1992.

(2) First nine months - comparable period in 1994 totalled \$5,272,796.

Source: Town of Yucca Valley Building and Safety Department.

Utilities

Southern California Edison Company provides Yucca Valley with electric power. Natural gas is provided by Southern California Gas Company. Water is supplied by the Hi-Desert Water District. Waste removal is provided by Hi-Desert Disposal.

Transportation

The principal highway serving Yucca Valley is State Route 62, which joins Interstate 10 seventeen miles to the south. Scheduled air service is available at Palm Springs Regional Airport, 30 miles to the south; Ontario International Airport, 80 miles to the west; and Los Angeles International Airport, 140 miles to the west. The Southern Pacific Railroad east-west mainline passes through Palm Springs, 25 miles to the south.

Local bus service is provided by the Morongo Basin Transit Authority. Trucking and overnight package delivery services all provide daily service to the Town.

Community Facilities

The Morongo Unified School District has 3 elementary, 1 junior high and 1 high school in Yucca Valley. The total 1995/96 enrollment is in excess of 4,100.

The Town maintains seven parks totalling 175 acres. The 792,000 acre Joshua Tree National Park is located immediately south of the Town. In 1995, over 1.5 million people will visit the park.

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APPENDIX B

SUMMARY OF THE INDENTURE

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

Definitions

Additional Allowance

The term "Additional Allowance" means, as of the date of calculation the amount of Tax Revenues which, as shown in the report of an Independent Redevelopment Consultant, 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 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 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.

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.

"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 of California for the moneys proposed to be invested therein: (a) Federal Securities; (b) Federal Home Loan Mortgage Corporation participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount) or senior debt obligations; (c) Federal National Mortgage Association mortgage-backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount) or senior debt obligations; (d) certificates of deposit, time deposits or bankers' acceptances with a maturity of one (1) year or less of any bank (including the Trustee) the debt obligations of which or the debt obligations of the holding company of which have been rated A-1 + by Standard & Poor's Corporation and P-1 by Moody's Investors Service; (e) obligations rated at least AA by Standard & Poor's Corporation and Aa by Moody's Investors Service; (f) taxable money market portfolios restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States or repurchase agreements collateralized by such obligations; (g) deposits which are fully insured by the Federal Deposit Insurance Corporation; (h) repurchase agreements with financial institutions fully insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" which falls under Securities Investors Protection Corporation jurisdiction, and at the time of execution of such repurchase agreement, having unsecured debt obligations rated in one of the two highest rating categories (without respect to any modifier) by Standard & Poor's Corporation and Moody's Investors Service, which repurchase agreements are secured by any of the obligations referred to in (a) above, provided that the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral securing such repurchase agreement and the Trustee has a perfected first security interest in the collateral securing such repurchase agreement; (i) an Investment Agreement (subject to prior notification to Standard & Poor's Corporation); or (j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended, to the extent such shares are held in the name and to the credit of the Trustee and subject to prior notification to Standard & Poor's Corporation.

Bonds, Additional Bonds, Serial Bonds, Term Bonds

The term "Bonds" means the Yucca Valley Redevelopment Agency, Downtown and East End Residential Project Area, Tax Allocation Bonds, Series 1995 and all Additional Bonds.

The term "Additional Bonds" means all tax allocation bonds of the Agency authorized and executed pursuant to Article IV of the Indenture and ranking on a parity with the Series 1995 Bonds.

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 1995 Bonds are originally delivered to June 1, 1996, and (ii) thereafter, each successive twelve month period ending on June 1.

Closing Date

The term "Closing Date" means the date of delivery of a Series of Bonds to the original purchaser thereof. The Closing Date for the Series 1995 Bonds is December 5, 1995.

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.

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.

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 Yucca Valley Redevelopment Project Area Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Law and held by the Agency.

Indenture

The term "Indenture" means the Indenture dated as of December 1, 1995, by and between the Agency and U.S. Trust Company of California, N.A., as Trustee, and includes all Supplemental Indentures.

Independent Certified Public Accountant

The term "Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the 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 June 1 or December 1 on which interest on any Series of Bonds is scheduled to be paid.

Investment Agreement

The term "Investment Agreement" means an investment agreement or guaranteed investment contract by and between the Trustee and a national or state chartered bank or savings and loan institution (including the Trustee) or other financial institution or insurance company, respecting the investment of moneys in certain funds or accounts established pursuant to the Indenture; provided that, at the time of execution thereof, any such bank, institution, or company has unsecured debt obligations or claims paying ability rated in one of the two highest rating categories by Standard & Poor's Corporation and/or Moody's Investors Service.

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.

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.

Pass-through Agreements

The term "Pass-through Agreements" means, collectively, the following certain Cooperation Agreements: between the Agency and the San Bernardino County Superintendent of Schools dated August 11, 1993; between the Agency and the Mojave Water Agency dated August 11, 1993; between the Agency and the Desert Community College District dated August 20, 1993; between the Agency and the Morongo Unified School District dated August 23, 1993; between the Agency and the Hi-Desert Water District dated September 9, 1993; between the Agency and San Bernardino County dated October 21, 1993; and between the Agency and the Yucca Valley Fire Protection District dated December 21, 1993.

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.

Principal Payment Date

The term "Principal Payment Date" means any date on which principal of any Series of Bonds is scheduled to be paid.

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 Yucca Valley Redevelopment Project Area.

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 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 Emergency Ordinance No. 37 adopted by the Town Council of the Town on August 5, 1993, together with all amendments thereof or supplements thereto heretofore or hereafter made in accordance with the Law.

Reserve Account Requirement

The term "Reserve Account Requirement" 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 the 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.

Sinking Account Payment Date

The term "Sinking Account Payment Date" means any date on which Sinking Account Installments on any Series of Bonds are scheduled to be paid.

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 the Indenture.

Tax Certificate

The term "Tax Certificate" means the Tax Certificate dated the date of the original delivery of each Series of Bonds 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 Bond 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 payable to affected taxing agencies pursuant to the Pass-through Agreements; and (c) amounts, other than amounts required to pay principal or interest or other financing charges with respect to Bonds 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.

Trustee

The term "Trustee" means such trustee as may be appointed by the Agency and its successors and assigns, or any other corporation or association which may at any time be substituted in its place.

Written Request of the Agency

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

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 the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth therein. This pledge shall constitute a first lien on the Tax Revenues and such other money for the payment of the Bonds in accordance with the terms thereof.

Special Fund: Receipt and Deposit of Tax Revenues

The Indenture establishes a special fund known as the "Yucca Valley Redevelopment Project Area Tax Allocation Bonds Special Fund" (the "Special Fund") which shall be held by the Trustee. On or before fifteen (15) days preceding each Interest Payment Date, the Agency shall transfer all Tax Revenues held or received by the Agency to the Trustee for deposit in the Special Fund; provided, that the Agency shall not be obligated to deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts then in the Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Account and the Reserve Account in such Bond Year. Any Tax Revenues received during such Bond Year following deposit in the Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Account and the Reserve Account in such Bond Year shall be released from the pledge and lien of the Indenture and may be used for any lawful purposes of the Agency. There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Special Fund and the accounts therein, shall be sufficient to discharge all Outstanding Bonds.

The Agency covenants and agrees that all Tax Revenues deposited by the Agency with the Trustee in the Special Fund will be accounted for through and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as in the Indenture provided. All such Tax Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and

purposes herein set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

Establishment of Other Funds

In addition to the Special Fund, the Indenture creates a special trust fund held by the Agency called the "Yucca Valley Redevelopment Project Area Redevelopment Fund" (the "Redevelopment Fund") and there is created a special trust fund to be held by the Trustee called the "Yucca Valley Redevelopment Project Area Expense Fund" (the "Expense Fund").

So long as any of the Bonds, or any interest thereon, remain unpaid, the moneys in the foregoing funds shall be used for no purpose other than those required or permitted by the Indenture and the Law.

Redevelopment Fund

Moneys in the Redevelopment Fund shall be used and disbursed in the manner provided by law 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 be transferred by the Agency to the Trustee for deposit in the Special Fund.

The Agency shall pay moneys from the Redevelopment Fund upon receipt of requisition drawn thereon and signed by at least one duly authorized officer or member of the Agency. The Agency warrants that each withdrawal from the Redevelopment Fund shall be made in the manner provided by law for the purpose of aiding in financing the Project or for making reimbursements to the Agency for such costs theretofore paid by the Agency. The Treasurer of the Agency shall establish and maintain an account within the Redevelopment Fund for each Series of Bonds issued hereunder known as the "Series Project Account" and all proceeds of each such Series of Bonds deposited in the Redevelopment Fund shall be held in the account established for such Series and shall be accounted for separately from all other amounts in the Redevelopment Fund. Amounts in each such account shall be used for the purposes authorized for use of amounts in the Redevelopment Fund.

Expense Fund

All moneys in the Expense Fund shall be applied to the payment of costs and expenses incurred by the Agency in connection with the authorization, issuance and sale of the Bonds and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition executed by an officer of the Agency. Each such requisition shall be sequentially numbered and state the name and address of the person, firm or corporation to whom payment is due, the amount to be disbursed, the purposes for such disbursement and that such obligation has been properly incurred and is a proper charge against the Expense Fund. Upon receipt of a properly signed Requisition, the Trustee is authorized to act thereon without further inquiry and, except for the negligence or willful misconduct of the Trustee, the Agency shall hold the Trustee harmless against any and all losses, claims or liabilities incurred directly in connection with the Trustee making such disbursements. 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 thereof, any balance remaining in such Fund shall be transferred to the Agency and deposited by the Agency in the Redevelopment Fund, and pending such transfer and application, the moneys in such Fund may be invested; provided, however, that investment income resulting from any such investment shall be retained in the Expense Fund. The Trustee shall establish and maintain an account within the Expense Fund for

each series of Bonds issued hereunder known as the "Series Expense Account" and all proceeds of each such Series of Bonds deposited in the Expense Fund shall be held in the account established for such Series and shall be accounted for separately from all other amounts in the Expense Fund. Amounts in each such account shall be used for the purposes authorized for use of amounts in the Expense Fund.

Establishment and Maintenance of Accounts for Use of Moneys in the Special Fund

All Tax Revenues shall be deposited into the following Accounts of the Special Fund and shall be used in the following priority; provided, however, that to the extent that deposits have been made in any of the Accounts referred to below from the proceeds of the sale of the Bonds or otherwise, the deposits below need not be made:

(a) Bond Interest Payment Account ("Interest Account"). Deposits shall be made into the Interest Account so that the balance in such Account 30 days prior to the date of the payment of any installment of interest on the Bonds shall be equal to six months interest on the then Outstanding Bonds. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due, and after such payment the Account shall be restored by further deposits to the required balance.

(b) Serial Bond Payment Account ("Principal Account"). After the deposits have been made pursuant to subparagraph A above, deposits shall next be made into the Principal Account so that the balance in such Account 30 days prior to the date of payment of principal is due shall equal the next principal payment, or payments, as the case may be, on the then Outstanding Serial Bonds. Moneys in the Principal Account shall be used for the payment of the principal of such Serial Bonds, as the same become due, and, after such payment, the Account shall be restored by further deposits to the required balance.

(c) Term Bond Sinking Fund Account ("Sinking Account"). Commencing on a date 13 months prior to the first Sinking Account Payment Date, after the deposits have been made pursuant to subparagraphs (a) and (b) above, if the Tax Revenues are sufficient therefor, deposits shall next be made into the Sinking Account so that the balance in such Account 30 days prior to the date the money in such Account is scheduled to be used shall equal the then current Sinking Account Installment on the Outstanding Term Bonds. Moneys in the Sinking Account shall be used and applied by the Trustee to pay the principal amount of Outstanding Term Bonds.

(d) Reserve Account. After the deposits have been made pursuant to subparagraphs (a), (b) and (c) above, if the Tax Revenues are sufficient therefor, deposits shall next be made into the Reserve Account so that the balance in such Account shall equal the Reserve Account Requirement, and the balance in such Account shall be so maintained to equal the Reserve Account Requirement. Moneys in the Reserve Account shall be used solely for the purpose of paying the interest on and principal of the Bonds in the event that the moneys in the Interest Account or Principal Account or Sinking Account are insufficient therefor and for that purpose the Trustee shall withdraw and transfer moneys from the Reserve Account to the appropriate Account. Moneys in the Reserve Account may be used to pay the interest on and principal of the last outstanding maturity of the Bonds.

(e) No Default: Surplus. It is the intent of the Indenture that the deposits in subparagraphs (a) and (b) above to the Interest Account and the Principal Account, respectively, shall be made as scheduled, and the deposits in subparagraphs (c) and (d) above, to the Sinking Account and the Reserve Account, respectively, shall be made as scheduled, if and only if the Tax Revenues are sufficient therefor. Failure to make the required deposits into the Sinking Account, as specified in subparagraph

(c) above, and into the Reserve Account, as specified in subparagraph (d) above, shall not be an event of default if the sole reason is that the Tax Revenues are insufficient therefor. Should it be necessary to defer all or part of any deposit referred to in subparagraphs (c) and (d) above, such deferred deposits shall be cumulative and shall be made when the Tax Revenues are sufficient to make the deposits required by subparagraphs (a) and (b) and thereafter make the deposits required by subparagraphs (c) and (d). If (i) the above transfers have been made so that the required amounts as of that time are in all of the above-mentioned Accounts, and (ii) the Tax Revenues to be received for the next Fiscal Year by the Agency, based upon the most recent assessed valuation of taxable property in the Project Area, furnished by the appropriate officer of the County, are at least equal to 110 percent of Maximum Annual Debt Service, then the balances in the Special Fund may be withdrawn and used and applied by the Agency for any lawful purpose, including without limitation the purchase or call and redemption of Bonds, upon Written Request of the Agency to the Trustee, accompanied by a Certificate of the Agency to the effect that the matters specified in clause (ii) have been satisfied.

Investment of Moneys in Funds and Accounts

Upon the Written Request of the Agency received by the Trustee at least two Business Days prior to the date of such investment, moneys in the Special Fund, the Interest Account, the Principal Account, any Sinking Account, the Expense Fund (and any account therein), the Rebate Fund or the Reserve Account shall be invested by the Trustee in Authorized Investments. The obligations in which moneys in the Special Fund, the Interest Account, the Principal Account or any Sinking Account are so invested shall mature prior to the date on which such moneys are estimated to be required to be paid out hereunder. The obligations in which moneys in the Reserve Account are so invested shall mature no later than the earlier of (a) five years from the date of purchase by the Trustee or (b) with respect to a pro rata portion of the Reserve Account, the final maturity date relating to each Series of Bonds; provided, however, that (i) an obligation which may be redeemed at par at the option of the Trustee on the Business Day prior to each Interest Payment Date during which such obligation is outstanding and (ii) an investment agreement which permits the Trustee to withdraw invested amounts, on any Business Day, on no more than 10 Business Days' notice, without penalty, to be used as required by Section 5.06(d), 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 shall be deposited in the Special Fund. For purposes of determining the amount on deposit in any fund or account held hereunder, 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). Except as otherwise provided in this Section, Authorized Investments representing an investment of moneys attributable to any fund or account and all investment profits or losses thereon shall be deemed at all times to be a part of said fund or account. Absent negligence, bad faith or willful misconduct by the Trustee, the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Section.

Subject to certain limitations contained in the Indenture, amounts deposited in the Redevelopment Fund may be invested in any Authorized Investment. All earnings on amounts in the Expense Fund, the Rebate Fund and the Redevelopment Fund shall remain in such 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 said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Management and Operation of Properties

The 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 or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Payment of Claims

The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds.

Continuing Disclosure

The Agency shall provide for the benefit of owners of the Bonds certain financial information and operating data relating to the Agency not later than December 1 in each year, commencing December 1, 1996 (the "Annual Report"), and to provide notices of the occurrences of certain enumerated events, if material. The Annual Report will be filed by the Trustee on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State information depository, if any. The notices of material events will be filed by the Trustee on behalf of the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). This covenant has been made by the Agency in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission.

Books and Accounts, Financial and Project Statements

The Agency will keep proper books of record and accounts, separate from all other records and accounts of the Agency, 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 one hundred eighty (180) days after the close of each Fiscal Year, so long as any Bonds are Outstanding, an audited financial statement relating to the Tax Revenues and all funds or accounts established pursuant to the Indenture for the preceding Fiscal Year prepared by an Independent Certified Public Accountant, showing the balances in each such fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund during such Fiscal Year and the balances in each such fund as of the end of such Fiscal Year. The Trustee shall not be obligated to examine such financial statements. 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 thereof as may be required to investment bankers, security dealers and others interested in the Bonds. The Trustee shall provide such account Statements of the Trustee to the Agency as the Agency may reasonably require to comply with the terms of this covenant.

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 all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due.

Financing the Project

The Agency will commence the financing of the Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Project as soon as possible.

Taxation of Leased Property

Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (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 during the term of the lease shall be 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, which 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 because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such dispositions, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall comprise more than ten per cent (10%) of the land area in the Project Area. If the Agency proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the Indenture, shall comprise more than ten per cent (10%) of the land area in the Project 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 such proposed disposition, the Agency may proceed with such proposed disposition. If the Consultant's Report concludes that Tax Revenues will be materially reduced by such proposed disposition, the Agency shall not proceed with such proposed disposition unless, as a condition precedent to such proposed disposition, the Agency shall require that such new owner or owners either:

(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 to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or

(2) Pay to the 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 transferred by the Agency to the Trustee to be deposited by the Trustee 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 such proposed amendment. If the Consultant's Report concludes that Tax Revenues will not be materially reduced by such proposed amendment, the Agency may adopt such amendment. If the Consultant's Report concludes that Tax Revenues will be materially reduced by such proposed amendment, the Agency shall not adopt such proposed amendment. The Trustee shall be entitled to rely upon any said Report and shall have no duty to verify the information or statements set forth therein.

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 without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of San Bernardino County.

Further Assurances

The Agency shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Tax Covenants: Rebate Fund

(a) The Trustee shall establish and maintain with respect to each Series of Bonds (and 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 1995 Rebate Fund." Upon the written direction of the Agency, there shall be deposited in the Rebate Fund such amounts as are required to be deposited therein 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.

(b) 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 such applicable requirements promulgated from time to time thereunder and under the Internal Revenue Code of 1986, 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. In the event that at any time the Agency is of the opinion that for purposes of this covenant it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Agency shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

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.

(c) If the Agency shall provide to the Trustee an opinion of nationally recognized bond counsel that any specified action required under this covenant is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect

to the Bonds, the Trustee and the Agency may conclusively rely on such opinion in complying with the requirements of this section, and the covenants hereunder shall be deemed to be modified to that extent.

(d) The foregoing covenant shall not apply to any Series of Bonds not intended to comply with the requirements of the Code necessary to make interest on such Series of Bonds excludable from gross income for federal tax purposes, as shall be specified to the Trustee by the Agency.

Agreements with Taxing Agencies

So long as any Bonds are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other 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 this Indenture and the Bonds.

Annual Review of Tax Revenues

The Agency hereby covenants that it will 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 will 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.

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 such 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, at the time and place and at the rate and in the currency provided herein of any Bond, without the express written consent of the Owner of such 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 the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the 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 any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Agency;

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

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

(d) To modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(e) To maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes (except with respect to any Bonds which the Agency certifies to the Trustee are not intended to qualify for such exclusion);

(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 Town shall not be deemed Outstanding for the purpose of any consent or other action in the Indenture provided for, and shall not be entitled to consent to, or take any other action in the Indenture provided for; provided, however, that for purposes of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held will be disregarded.

Endorsement or Replacement of Bonds After Amendment

After the effective date of any action taken as hereinabove provided, the Agency may determine that the Bonds may bear a notation, by endorsement in form approved by the Agency, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for such purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action shall be made on such Bond. If the Agency shall so determine, new Bonds so modified as, in the opinion of the Agency, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Opinion of Counsel

The Trustee may conclusively accept an opinion of nationally recognized bond counsel to the Agency that an amendment of the Indenture is in conformity with the provisions of this Article.

Events of Default and Remedies of Owners

Events of Default and Acceleration of Maturities

If one or more of the following events (herein called 'Events of Default') shall happen, that is to say:

(a) If default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) If default shall be made in the due and payment of the interest on any Bond when and as the same shall become due and payable;

(c) If default shall be made by the Agency in the observance of any of the agreements, conditions or covenants on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of 60 days after the Agency shall have been given notice in writing of such default by the Trustee; provided, however, that such default shall not constitute an Event of Default hereunder if the Agency shall commence to cure such default within said 60-day period and thereafter diligently and in good faith proceed to cure such default within a reasonable period of time; or

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

then, and in each and every such case during the continuance of such event of default, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, shall, by notice in Writing to the Agency, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding; provided, however, that any such declaration shall be subject to the prior written consent of the Bond Insurer, if any.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest at the rate of interest which would have been paid on such overdue principal on such overdue installments of principal and interest, and the expenses of the Trustee, including attorneys fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration)

shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences; provided, however, that no such rescission or annulment shall occur without the prior written consent of the Bond Insurer, if any. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration

All money in the funds and accounts provided for in the Indenture (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 hereunder, 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, if any, including reasonable compensation to its agents and counsel (including in-house counsel to the extent not duplicative of other counsel's work), to the payment of any other amounts then due and payable to the Trustee, including any predecessor trustee, with respect to or in connection with this Indenture, whether as compensation, reimbursement, indemnification or otherwise, 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, subject to certain limitations on the Owner's right to sue, 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 any such members, officers or employees to perform and carry out their duties under the Law and their agreements with the Owners as provided in the Indenture;

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

(c) Upon the happening of an event of default, by a suit in equity to require the 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 respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Tax Revenues pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture.

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

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the Trustee, the 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 shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners, and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact; provided, however, the Trustee shall have no duty or obligation to enforce any right or remedy unless it has been indemnified by the Owners from any liability or expense including without limitation fees and expenses of its attorneys.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Owners' Direction of Proceedings

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, if any, 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 hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, that the Trustee may take any other action deemed proper by the Trustee

which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Owners' Right to Sue

No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Law or any other applicable law with respect to such Bond, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender or indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture, the Law or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Defeasance

Discharge of Indebtedness

If the 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 thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute at the Written Request of the Agency, and at the expense of the Agency, and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall, after payment of amounts due the Trustee hereunder, pay over or deliver to the Agency all money or securities held by them pursuant to the Indenture which are not required for the payment of the interest due on and the principal of such Bonds other than the moneys, if any, in the Rebate Fund.

Bonds for the payment of which money shall have been set aside (through deposit by the Agency or otherwise) to be held in trust by the Trustee for such payment at the maturity or redemption date thereof shall be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in the first paragraph of this section.

Any Outstanding Bonds shall prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if (1) there shall have been deposited with the Trustee, or another fiduciary or escrow agent, either money in an amount which shall be sufficient, or Federal Securities (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the interest due and to become due on such Bonds on and prior to the maturity date thereof or such earlier redemption date as shall be irrevocably established, and the principal of and redemption premium, if any, on such bonds (the sufficiency of such amounts to be appropriately verified) and (2) the Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (1) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or earlier redemption date upon which money is to be available for the payment of the principal of such Bonds.

Neither Federal Securities nor money deposited with the Trustee pursuant to this section nor interest or principal payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of such Bonds; provided that any cash received from such interest or principal payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested at the written direction of the Agency in Federal Securities maturing at times and in amounts sufficient to pay when due the interest on and principal of such Bonds on and prior to such maturity date thereof, and interest earned from such reinvestments shall be deposited in the Special Fund. For the purposes of this section, Federal Securities shall mean and include only such securities as are not subject to redemption prior to their maturity.

Miscellaneous

Liability of Agency Limited to Tax Revenues

Notwithstanding anything in the Indenture contained, the Agency shall not be required to advance any money derived from any source of income other than the Tax Revenues for the payment of the interest on or the principal of the Bonds. The Agency may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose. The Agency's obligation to pay the Rebate Requirement to the United States of America shall be considered the general obligation of the Agency and shall be payable from any available funds of the Agency.

The Bonds are limited obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Tax Revenues, and the Agency is not obligated to pay them except from the Tax Revenues. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Tax Revenues, and 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 Town of Yucca Valley, the State of California or any of its political subdivisions, and neither said Town, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Agency. 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.

APPENDIX C

ANNUAL AUDIT REPORT, June 30, 1994

**REDEVELOPMENT AGENCY OF THE
TOWN OF YUCCA VALLEY, CALIFORNIA**
Year Ended June 30, 1994

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An Accountancy Corporation
Certified Public Accountants

Thomas, Bigbie & Smith

Donald L. Thomas, CPA (Retired)

V.C. Smith, Jr., CPA

Jerry D. Bigbie, CPA

Richard A. Teaman, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
Redevelopment Agency of the
Town of Yucca Valley
Yucca Valley, California

We have audited the accompanying financial statements of the Redevelopment Agency of the Town of Yucca Valley, California, as of and for the year ended June 30, 1994, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the financial statements present only the Redevelopment Agency of the Town of Yucca Valley, California, and are not intended to present fairly the financial position and results of operations of the Town of Yucca Valley in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Redevelopment Agency of the Town of Yucca Valley, California, as of June 30, 1994, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Thomas, Bigbie & Smith

November 2, 1994

**REDEVELOPMENT AGENCY OF
THE TOWN OF YUCCA VALLEY, CALIFORNIA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1994**

EXHIBIT 1

	Governmental Fund Types	Account Groups	Totals- (Memorandum Only)
	Capital Project	General Long-Term Obligations	June 30, 1994
ASSETS AND OTHER DEBITS			
ASSETS			
Cash and Investments (Notes 1 and 2)	\$ 80,040		\$ 80,040
Interest Receivable	763		763
OTHER DEBITS			
Resources to be Provided for Retirement of Long-Term Obligations		183,400	183,400
TOTAL ASSETS AND OTHER DEBITS	\$ 80,803	\$ 183,400	\$ 264,203
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES			
Accounts Payable	217		217
Loans Payable (Notes 3 and 4)		183,400	183,400
TOTAL LIABILITIES	217	183,400	183,617
FUND BALANCES			
Reserved for Specific Capital Projects and Programs	80,586		80,586
TOTAL EQUITY AND OTHER CREDITS	80,586		80,586
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 80,803	\$ 183,400	\$ 264,203

REDEVELOPMENT AGENCY OF
 THE TOWN OF YUCCA VALLEY, CALIFORNIA
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - CAPITAL PROJECT FUND
 Year Ended June 30, 1994

EXHIBIT 2

REVENUES		Capital
Interest Income	<u>1,700</u>	<u>Project</u>
TOTAL REVENUES	1,700	
EXPENDITURES		
Administration	26,767	
Professional Services	<u>17,842</u>	
TOTAL EXPENDITURES	44,609	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(42,909)	
OTHER FINANCING SOURCES (USES)		
Proceeds From Long-Term Obligations	<u>123,400</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	80,491	
FUND BALANCES - BEGINNING OF YEAR	95	
FUND BALANCES - END OF YEAR	80,586	

The accompanying notes are an integral part of this statement.

REDEVELOPMENT AGENCY OF
THE TOWN OF YUCCA VALLEY, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL -
CAPITAL PROJECT FUND
Year Ended June 30, 1994

EXHIBIT 3

	Capital Project		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Interest Income	\$ -0-	\$ 1,700	\$ 1,700
TOTAL REVENUES	-0-	1,700	1,700
EXPENDITURES			
Administration	13,400	26,767	(13,367)
Professional Services	10,000	17,842	(7,842)
Project Improvement Costs	100,000	100,000	100,000
TOTAL EXPENDITURES	123,400	44,609	78,791
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(123,400)	(42,909)	80,491
OTHER FINANCING SOURCES (USES)			
Proceeds from Long-Term Obligations	123,400	123,400	-0-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -0-	80,491	\$ 80,491
FUND BALANCES - BEGINNING OF YEAR		95	
FUND BALANCES - END OF YEAR		\$ 80,586	

**REDEVELOPMENT AGENCY OF THE
 TOWN OF YUCCA VALLEY, CALIFORNIA
 NOTES TO FINANCIAL STATEMENTS
 IN ORDER OF PRESENTATION**
 Year Ended June 30, 1994

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**REDEVELOPMENT AGENCY OF THE
TOWN OF YUCCA VALLEY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS**
Year Ended June 30, 1994

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Redevelopment Agency of the Town of Yucca Valley, California, was formed under Section 33,000 et. seq. of the Health and Safety Code.

The Agency office and records are located at Town Hall at 57090 29 Palms Highway, Yucca Valley, California, telephone (619) 369-7207.

The Agency is a component unit of the Town of Yucca Valley and, accordingly, the financial statements of the Agency are included in the financial statements of the Town of Yucca Valley.

The accounting policies of the Agency conform to generally accepted accounting principles as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows:

A) Description of Funds and Account Groups

The accounts of the Agency are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type and one broad fund category as follows:

Governmental Funds

Capital Project Fund - Used to account for financial resources used for the acquisition of major capital facilities.

Fixed Assets and Long-Term Liabilities

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 sheet. Their reported fund balance (net current assets) is considered a measurement 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 during a period.

**REDEVELOPMENT AGENCY OF THE
TOWN OF YUCCA VALLEY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS**
Year Ended June 30, 1994

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A) Description of Funds and Account Groups - Continued

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized as general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Obligation Account Group, not in the governmental funds.

The two account groups are not funds. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

B) Basis of Accounting

The Capital Project Fund is maintained on the modified accrual basis of accounting wherein:

- 1) Revenues are recorded as received in cash except (1) revenues which are both measurable and available as a resource to finance operations of the current year are accrued, and (2) revenues of a material amount not received at the normal time of receipt are accrued or deferred as appropriate.
- 2) Expenditures are recorded on an accrual basis except (1) disbursements for inventory type items are considered expenditures at the time of purchase, (2) expenditures are not divided between years by the recording of prepaid expenses, and (3) interest on long-term debt is recorded as an expenditure when paid.

C) Budgetary Accounting

- 1) Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year.
- 2) Original appropriations are modified by supplemental appropriations and transfers among budget categories.
- 3) The Board approves all significant changes.

**REDEVELOPMENT AGENCY OF THE
TOWN OF YUCCA VALLEY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 1994

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Investments

Investments are stated at cost, which approximates market value.

E) 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 as an extension of formal budgetary integration in the Governmental Fund Types. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F) Property Tax

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Bernardino bills and collects the property taxes and remits them to the Agency in installments during the year. Agency property tax revenues are recognized when collected by the County of San Bernardino.

G) Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

H) Creation of Redevelopment Agency

The Project Area for the Redevelopment Agency of the Town of Yucca Valley, California, was adopted on August 5, 1993. By June 30, 1994 it had not received any tax increment. Therefore, no debt service or special revenue funds have been created. In addition, no monies were required to be shifted to the Educational Revenue Augmentations Fund. For the fiscal year ending June 30, 1995, these items are expected to be present.

2) COMPOSITION OF CASH

Cash is pooled with Town funds in order to generate optimum interest income, with interest being allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to Agency funds are those of the Town of Yucca Valley and are included in the Town's Annual Financial Report.

**REDEVELOPMENT AGENCY OF THE
TOWN OF YUCCA VALLEY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS**
Year Ended June 30, 1994

3) GENERAL LONG-TERM OBLIGATIONS - \$183,400

	<u>Date of Issue</u>	<u>Years of Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Loans Payable - Town (Note 4)	Various	*	Various	\$ 60,000	\$ 123,400	\$	\$ 183,400
Total General Long-Term Obligations				\$ 60,000	\$ 123,400	\$ -0-	\$ 183,400

* = When tax increment becomes available.

4) LOANS PAYABLE - TOWN - \$183,400

The aforementioned loans were made by the Town to provide operating funds to the Agency. The loans will be repaid with interest from tax increment monies at such time as excess funds exist. Accrued interest on these loans totals \$7,539 at June 30, 1994.

5) VACATION AND SICK PAY BENEFITS

The accompanying financial statements do not include any accrual for vacation and sick pay benefits due employees at June 30, 1994, as this would be a liability of the Town and not that of the Agency.

6) PASS-THROUGH AGREEMENTS

In order to lessen the fiscal impact of the tax increment financing of redevelopment projects on other units of local governments, the Agency has entered into pass-through agreements with various governmental agencies to "pass-through" portions of tax increment funds received by the Agency, attributable to the area within the territorial limits of other agencies. (See Note 1H)

7) CONTINGENCIES

As of June 30, 1994, in the opinion of Agency officials, there are no outstanding matters which would materially affect the financial position of the Agency.



Thomas, Bigbie & Smith

An Accountancy Corporation
Certified Public Accountants

Donald L. Thomas, CPA (Retired)

V.C. Smith, Jr., CPA

Jerry D. Bigbie, CPA

Richard A. Teaman, CPA

COMPLIANCE AUDIT REPORT

Board of Directors
Redevelopment Agency of the
Town of Yucca Valley
Yucca Valley, California

We have audited the financial statements of the Redevelopment Agency of the Town of Yucca Valley, California, as of and for the year ended June 30, 1994, and have issued our opinion thereon dated November 2, 1994. We conducted our audit in accordance with generally accepted auditing standards and government 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 Redevelopment Agency of the Town of Yucca Valley, California, is the responsibility of the Redevelopment Agency of the Town of Yucca Valley's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Redevelopment Agency of the Town of Yucca Valley'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 Redevelopment Agency of the Town of Yucca Valley, California, complied, in all material respects, with the provisions referred to in the preceding paragraph. However, our procedures disclosed immaterial instances of noncompliance with the laws and regulations referred to above which are described in the accompanying Schedule of Compliance Findings. With respect to items not tested, nothing came to our attention that caused us to believe that the Redevelopment Agency of the Town of Yucca Valley, California, had not complied, in all material respects, with those provisions.

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

Thomas, Bigbie & Smith

November 2, 1994

**REDEVELOPMENT AGENCY OF THE
TOWN OF YUCCA VALLEY, CALIFORNIA
SCHEDULE OF COMPLIANCE FINDINGS**

Year Ended June 30, 1994

FINDING

The housing element contained in the Town of Yucca Valley's general plan has not yet been approved by the Department of Housing and Community Development.

CRITERIA

Pursuant to Section 33302 of the Health and Safety Code the community which formed the Agency must have a general plan which contains a housing element that substantially complies with state law as evidenced by approval of the Department of Housing and Community Development.

RECOMMENDATION

The Agency should submit its housing element to the Department of Housing and Community Development as required.

AGENCY RESPONSE

The Agency is in the final stages of obtaining the required approval. Approval is expected early in 1995.

FINDING

The Agency's redevelopment plan provides for the time limit on establishing loans, advances and indebtedness to be a period not to exceed 45 years from the effective date of the adoption of the plan. The plan was adopted August 5, 1993.

CRITERIA

Pursuant to Section 33333.6 of the Health and Safety Code, for plans adopted on or before December 31, 1993, the time limit on establishing loans, advances and indebtedness is a period not to exceed 20 years from the adoption of the plan, or January 1, 2004, whichever is later.

RECOMMENDATION

The Agency should amend its plan to comply with Section 33333.6 of the Health and Safety Code.

AGENCY RESPONSE

The Agency is in the process of amending its plan to conform to Section 33333.6 of the Health and Safety Code.

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APPENDIX D
FORM OF LEGAL OPINION

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BEST, BEST & KRIEGER

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

LAWYERS

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[Closing Date]

Yucca Valley Redevelopment Agency
57090 29 Palms Highway
Yucca Valley, California 92284

Re: \$ _____ Yucca Valley Redevelopment Agency Yucca
Valley Redevelopment Project Area Tax Allocation Bonds,
Series 1995

Members of the Redevelopment Agency:

We have acted as bond counsel in connection with the issuance by the Yucca Valley Redevelopment Agency (the "Agency") of its \$ _____ aggregate principal amount Yucca Valley Redevelopment Agency Yucca Valley Redevelopment Project Area Tax Allocation Bonds, Series 1995 (the "Bonds"). The Bonds are issued pursuant to the provisions of the Community Redevelopment Law, being Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law") and an Indenture dated as of December 1, 1995 (the "Indenture") by and between the Agency and U.S. Trust Company of California, N.A., as Trustee. We have examined the Law, the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

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

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The Agency is a duly organized and validly existing public body, corporate and politic.

Yucca Valley Redevelopment Agency
[Closing Date]
Page 2

2. The Bonds constitute valid, legal and binding special obligations of the Agency enforceable in accordance with their terms.

3. The Indenture has been duly and legally authorized, executed and delivered and constitutes a valid, legal and binding obligation of the Agency enforceable in accordance with its terms. The Indenture creates a valid lien on funds pledged by the Indenture for the security of the Bonds, comprised of Tax Revenues (as defined in the Indenture) and certain amounts in the funds and accounts for the Bonds.

4. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain excluded from gross income for purposes of federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issue of the Bonds. Pursuant to the Indenture, the Agency has covenanted to comply with the requirements of the Code. We are of the opinion that, assuming compliance with the aforementioned covenant, the interest on the Bonds is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. We are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations. We are further of the opinion that the interest on the Bonds is exempt from personal income taxation imposed by the State of California. Although the interest on the Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

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

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and delivered by the YUCCA VALLEY REDEVELOPMENT AGENCY, a public body organized and existing under the laws of the State of California (the "Issuer") and U.S. Trust Company of California, N.A., as dissemination agent and fiscal agent (the "Dissemination Agent and Trustee") in connection with the issuance of aggregate principal amount Yucca Valley Redevelopment Agency, Yucca Valley Redevelopment Project Area Tax Allocation Bonds, Series 1995 (the "Bonds"). The Bonds are being issued pursuant to a Indenture dated as of December 1, 1995, between the Agency and the Trustee (the "Indenture").

The Issuer, the Dissemination Agent and the Trustee hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Dissemination Agent and the Trustee for the benefit of the holders 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 Indenture which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"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 Dissemination Agent and the Trustee from time to time.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Repository for purposes of the Rule.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or upon written direction shall cause the Dissemination Agent to, not later than December 1 of each year, commencing December 1, 1996, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement; 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 fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent 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 Agreement. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report Required to be furnished by it hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer and the Dissemination Agent to determine if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) file a report with the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating 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:

1. Table at page ___ of the Official Statement - Statement of Direct and Overlapping Debt for the Yucca Valley Redevelopment Project Area (the "Project").
2. Annual information required to be filed by the Issuer with the California Debt Advisory Commission pursuant to Section 53359.5(b) of the Act.
3. Audited financial statements of the Issuer for the preceding fiscal year.
4. Listing of the top ten taxpayers within the Project.
5. Any changes or modifications to existing Pass-through Agreement or the entering into any new Pass-through Agreements by the Issuer with any other taxing entity.
6. Any assessment appeals by any of the top ten taxpayers within the Project or any decrease in assessed valuation of any of the top ten taxpayers.
7. Annual summaries of assessed valuations, Tax Revenues, and projected Tax Revenues.

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 Indenture (other than as described in clause (1) above).
3. Amendment to the Indenture or this Disclosure Agreement 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 the Reserve Fund 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) The Trustee shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in clauses (a)(1), (4) or (5)), contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bond holders unless otherwise required to be reported by the Trustee to the Bond holders under the Indenture. For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the Responsible Officer at the Trust Office.

(c) 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 law, provided, that any event under subsection (a)(6) will always be deemed to be material.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable Federal securities law, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing:

(i) notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the Issuer gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) notice of Listed Events described in subsections (a)(4) and (5) shall not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Issuer and the Trustee.

Section 8. Amendment. (a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of nationally recognized bond counsel or counsel expert in federal securities law, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities law, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to each Repository.

(b) This Disclosure Agreement may be amended, by written agreement of the parties, upon obtaining consent of Owners of at least 25% of the outstanding Bonds.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the 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 Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

Section 10. Default. In the event of a failure of the Issuer or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee shall, at the written direction of any Participating Underwriters or the holders of at least 25% aggregate principal amount of Outstanding Bonds, but only to the extent funds have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys, or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Trustee, as the case may be, to comply with their obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Section _____ of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the protection, immunities and limitations of liabilities

afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent and the Trustee) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond Owners, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

If to the Issuer:

Yucca Valley Redevelopment Agency
57090 29 Palms Highway
Yucca Valley, California 92284
Attention: Executive Director
Telephone: (619) 369-7207
Telecopier: (619) 369-0626

If to the Trustee:

U.S. Trust Company of California, N. A.
515 South Flower Street, Suite 2700
Los Angeles, CA 90071
Attention: Corporate Trust
Telephone: (213) 861-5066
Telecopier: (213) 488-1370

If to the Dissemination
Agent:

U.S. Trust Company of California, N. A.
515 South Flower Street, Suite 2700
Los Angeles, CA 90071
Attention: Corporate Trust
Telephone: (213) 861-5066
Telecopier: (213) 488-1370

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. The Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: [Closing Date]

YUCCA VALLEY REDEVELOPMENT AGENCY

By: _____
Authorized Signatory

U.S. Trust Company of California, N.A.,
as Dissemination Agent and Trustee

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: YUCCA VALLEY REDEVELOPMENT AGENCY
Name of Bond Issue: Yucca Valley Redevelopment Project Area, Tax Allocation Bonds,
Series 1995
Date of Issuance: [to come]

NOTICE IS HEREBY GIVEN that the Yucca Valley Redevelopment Agency has not provided an Annual Report with respect to the above-named Bonds as required by Section ____ of the Indenture dated as of _____, 1995 between the Issuer and _____ [the Trustee]. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

[the Dissemination Agent],
on behalf of ISSUER

cc: Issuer